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REPORT
104–461

UNITED STATES HOUSING ACT OF 1996

FEBRUARY 1, 1996.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. LEACH, from the Committee on Banking and Financial Services, submitted the following

R E P O R T

together with

MINORITY AND ADDITIONAL VIEWS

[To accompany H.R. 2406]

The Committee on Banking and Financial Services, to whom was referred the bill (H.R. 2406) to repeal the United States Housing Act of 1937, deregulate the public housing program and the program for rental housing assistance for low-income families, and increase community control over such programs, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "United States Housing Act of 1996".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

SEC. 2. DECLARATION OF POLICY TO RENEW AMERICAN NEIGHBORHOODS.

The Congress hereby declares that—

(1) the Federal Government has a responsibility to promote the general welfare of the Nation—

(A) by using Federal resources to aid families and individuals seeking affordable homes that are safe, clean, and healthy and, in particular, assisting responsible, deserving citizens who cannot provide fully for themselves because of temporary circumstances or factors beyond their control;

(B) by working to ensure a thriving national economy and a strong private housing market; and

(C) by developing effective partnerships among the Federal Government, State and local governments, and private entities that allow government to accept responsibility for fostering the development of a healthy marketplace and allow families to prosper without government involvement in their day-to-day activities;

(2) the Federal Government cannot through its direct action or involvement provide for the housing of every American citizen, or even a majority of its citizens, but it is the responsibility of the Government to promote and protect the independent and collective actions of private citizens to develop housing and strengthen their own neighborhoods;

(3) the Federal Government should act only where there is a serious need that private citizens or groups cannot or are not addressing responsibly; and

(4) housing is a fundamental and necessary component of bringing true opportunity to people and communities in need, but providing physical structures to house low-income families will not by itself pull generations up from poverty.

TITLE I—GENERAL PROVISIONS

SEC. 101. STATEMENT OF PURPOSE.

The purpose of this Act is to promote safe, clean, and healthy housing that is affordable to low-income families, and thereby contribute to the supply of affordable housing, by—

(1) deregulating and decontrolling public housing agencies, which in this Act are referred to as ''local housing and management authorities'', and thereby enable them to perform as property and asset managers;

(2) providing for more flexible use of Federal assistance to local housing and management authorities, allowing the authorities to leverage and combine assistance amounts with amounts obtained from other sources;

(3) facilitating mixed income communities;

(4) increasing accountability and rewarding effective management of local housing and management authorities;

(5) creating incentives and economic opportunities for residents of dwelling units assisted by local housing and management authorities to work and become self-sufficient; and

(6) recreating the existing rental assistance voucher program so that the use of vouchers and relationships between landlords and tenants under the program operate in a manner that more closely resembles the private housing market.

SEC. 102. DEFINITIONS.

For purposes of this Act, the following definitions shall apply:

(1) DISABLED FAMILY.—The term "disabled family" means a family whose head (or his or her spouse), or whose sole member, is a person with disabilities. Such term includes 2 or more persons with disabilities living together, and 1 or more such persons living with 1 or more persons determined under the regulations of the Secretary to be essential to their care or well-being.

(2) DRUG-RELATED CRIMINAL ACTIVITY.—The term "drug-related criminal activity" means the illegal manufacture, sale, distribution, use, or possession with intent to manufacture, sell, distribute, or use, of a controlled substance (as such term is defined in section 102 of the Controlled Substances Act).

(3) ELDERLY FAMILIES AND NEAR ELDERLY FAMILIES.—The terms "elderly family" and "near-elderly family" mean a family whose head (or his or her spouse), or whose sole member, is an elderly person or a near-elderly person, respectively. Such terms include 2 or more elderly persons or near-elderly persons living together, and 1 or more such persons living with 1 or more persons determined under the regulations of the Secretary to be essential to their care or well-being.

(4) ELDERLY PERSON.—The term "elderly person" means a person who is at least 62 years of age.

(5) FAMILY.—The term "family" includes a family with or without children, an elderly family, a near-elderly family, a disabled family, and a single person.

(6) INCOME.—The term "income" means, with respect to a family, income from all sources of each member of the household, as determined in accordance with criteria prescribed by the applicable local housing and management authority and the Secretary, except that the following amounts shall be excluded:

(A) Any amounts not actually received by the family.

(B) Any amounts that would be eligible for exclusion under section 1613(a)(7) of the Social Security Act.

(7) INDIAN.—The term "Indian" means any person recognized as being an Indian, Alaska Native, or Native Hawaiian by an Indian tribe, the Federal Government, or any State.

(8) INDIAN AREA.—The term "Indian area" means the area within which an Indian housing authority is authorized to provide low-income housing assistance under this Act.

(9) INDIAN HOUSING AUTHORITY.—The term "Indian housing authority" means any entity that—

(A) is authorized to engage in or assist in the production or operation of low-income housing for Indians that is assisted under this Act; and

(B) is established—

(i) by exercise of the power of self-government of an Indian tribe independent of State law; or

(ii) by operation of State law providing specifically for housing authorities for Indians, including regional housing authorities in the State of Alaska.

(10) INDIAN TRIBE.—The term "Indian tribe" means any tribe, band, pueblo, group, community, or nation of Indians, Alaska Natives, or Native Hawaiians.

(11) LOCAL HOUSING AND MANAGEMENT AUTHORITY.—The term "local housing and management authority" is defined in section 103.

(12) LOCAL HOUSING MANAGEMENT PLAN.—The term "local housing management plan" means, with respect to any fiscal year, the plan under section 107 of a local housing and management authority for such fiscal year.

(13) LOW-INCOME FAMILY.—The term "low-income family" means a family whose income does not exceed 80 percent of the median income for the area, except that the Secretary may, for purposes of this paragraph, establish income ceilings higher or lower than 80 percent of the median for the area on the basis of the authority's findings that such variations are necessary because of unusually high or low family incomes.

(14) LOW-INCOME HOUSING.—The term "low-income housing" means dwellings that comply with the requirements—

(A) under subtitle B of title II for assistance under such title for the dwellings; or

(B) under title III for rental assistance payments under such title for the dwellings.

(15) NEAR-ELDERLY PERSON.—The term "near-elderly person" means a person who is at least 55 years of age.

(16) PERSON WITH DISABILITIES.—The term "person with disabilities" means a person who—

(A) has a disability as defined in section 223 of the Social Security Act; or

(B) has a developmental disability as defined in section 102 of the Developmental Disabilities Assistance and Bill of Rights Act.

Such term shall not exclude persons who have the disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome. Notwithstanding any other provision of law, no individual shall be considered a person with disabilities, for purposes of eligibility for public housing under title II of this Act, solely on the basis of any drug or alcohol dependence. The Secretary shall consult with other appropriate Federal agencies to implement the preceding sentence.

(17) PUBLIC HOUSING.—The term "public housing" means housing, and all necessary appurtenances thereto, that—

(A) is low-income housing or low-income dwelling units in mixed income housing (as provided in section 221(c)(2)); and

(B)(i) is subject to an annual block grant contract under title II; or

(ii) was subject to an annual block grant contract under title II (or an annual contributions contract under the United States Housing Act of 1937) which is not in effect, but for which occupancy is limited in accordance with the requirements under section 222(a).

(18) SECRETARY.—The term "Secretary" means the Secretary of Housing and Urban Development.

(19) STATE.—The term "State" means the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, the Virgin Islands, American Samoa, any other territory or possession of the United States, and Indian tribes.

(20) VERY LOW-INCOME FAMILY.—The term "very low-income family" means a low-income family whose income does not exceed 50 percent of the median family income for the area, except that the Secretary may, for purposes of this paragraph, establish income ceilings higher or lower than 50 percent of the median for the area on the basis of the authority's findings that such variations are necessary because of unusually high or low family incomes.

SEC. 103. ORGANIZATION OF LOCAL HOUSING AND MANAGEMENT AUTHORITIES.

(a) REQUIREMENTS.—For purposes of this Act, the terms "local housing and management authority" and "authority" mean any entity that—

(1) is—

(A) a public housing agency or Indian housing authority that was authorized under the United States Housing Act of 1937 to engage in or assist in the development or operation of low-income housing;

(B) authorized under this Act to engage in or assist in the development or operation of low-income housing by any State, county, municipality, or other governmental body or public entity; or

(C) an entity selected by the Secretary, pursuant to subtitle B of title IV, to manage housing; and

(2) complies with the requirements under subsection (b).

(b) GOVERNANCE.—

(1) BOARD OF DIRECTORS.—Each local housing and management authority shall have a board of directors or other form of governance as prescribed in State or local law. No person may be barred from serving on such board or body because of such person's residency in a public housing development or status as an assisted family under title III.

(2) RESIDENT MEMBERSHIP.—

(A) IN GENERAL.—Except as provided in subparagraph (B), in localities in which a local housing and management authority is governed by a board of directors or other similar body, the board or body shall include not less than 1 member who is—

(i) a resident of a public housing dwelling unit owned or operated by the authority; or

(ii) a member of an assisted family under title III.

(B) EXCEPTIONS.—The requirement in subparagraph (A) with respect to a resident member shall not apply to—

(i) any State or local governing body that serves as a local housing and management authority for purposes of this Act and whose responsibilities include substantial activities other than acting as the local housing and management authority, except that such requirement shall apply to any advisory committee or organization that is established by such governing body and whose responsibilities relate only to the governing body's functions as a local housing and management authority for purposes of this Act;

(ii) any local housing and management authority that owns or operates less than 250 public housing dwelling units (including any authority that does not own or operate public housing);

(iii) any local housing and management authority that manages public housing consisting primarily of scattered site public housing;

(iv) any local housing and management authority in a State in which State law specifically precludes public housing residents or assisted families from serving on the board of directors or other similar body of an authority; or

(v) any local housing and management authority in a State that requires the members of the board of directors or other similar body of a local housing and management authority to be salaried and to serve on a full-time basis.

(3) FULL PARTICIPATION.—No local housing and management authority may limit or restrict the capacity or offices in which a member of such board or body may serve on such board or body solely because of the member's status as a resident member.

(4) CONFLICTS OF INTEREST.—The Secretary shall establish guidelines to prevent conflicts of interest on the part of members of the board or directors or governing body of a local housing and management authority.

(5) DEFINITION.—For purposes of this subsection, the term ''resident member'' means a member of the board of directors or other similar governing body of a local housing and management authority who is a resident of a public housing dwelling unit administered or assisted by the authority or is an assisted family (as such term is defined in section 371).

(c) ESTABLISHMENT OF POLICIES.—Any rules, regulations, policies, standards, and procedures necessary to implement policies required under section 107 to be included in the local housing management plan for a local housing and management authority shall be approved by the board of directors or similar governing body of the authority and shall be publicly available for review upon request.

SEC. 104. DETERMINATION OF ADJUSTED INCOME.

(a) IN GENERAL.—For purposes of this Act, the term ''adjusted income'' means, with respect to a family, the difference between the income of the members of the family residing in a dwelling unit or the persons on a lease and the amount of any income exclusions for the family under subsections (b) and (c), as determined by the local housing and management authority.

(b) MANDATORY EXCLUSIONS FROM INCOME.—In determining adjusted income, a local housing and management authority shall exclude from the annual income of a family the following amounts:

(1) ELDERLY AND DISABLED FAMILIES.—$400 for any elderly or disabled family.

(2) MEDICAL EXPENSES.—The amount by which 3 percent of the annual family income is exceeded by the sum of—

(A) unreimbursed medical expenses of any elderly family;

(B) unreimbursed medical expenses of any nonelderly family, except that this subparagraph shall apply only to the extent approved in appropriation Acts; and

(C) unreimbursed reasonable attendant care and auxiliary apparatus expenses for each handicapped member of the family, to the extent necessary to enable any member of such family (including such handicapped member) to be employed.

(3) CHILD CARE EXPENSES.—Any reasonable child care expenses necessary to enable a member of the family to be employed or to further his or her education.

(4) MINORS.—$480 for each member of the family residing in the household (other than the head of the household or his or her spouse) who is under 18 years of age or is attending school or vocational training on a full-time basis.

(5) CHILD SUPPORT PAYMENTS.—Any payment made by a member of the family for the support and maintenance of any child who does not reside in the household, except that the amount excluded under this paragraph may not exceed $480 for each child for whom such payment is made.

(c) PERMISSIVE EXCLUSIONS FROM INCOME.—In determining adjusted income, a local housing and management authority may, in the discretion of the authority, establish exclusions from the annual income of a family. Such exclusions may include the following amounts:

(1) EXCESSIVE TRAVEL EXPENSES.—Excessive travel expenses in an amount not to exceed $25 per family per week, for employment- or education-related travel.

(2) EARNED INCOME.—An amount of any earned income of the family, established at the discretion of the local housing and management authority, which may be based on—

(A) all earned income of the family;

(B) the amount earned by particular members of the family;

(C) the amount earned by families having certain characteristics; or

(D) the amount earned by families or members during certain periods or from certain sources.

(3) OTHERS.—Such other amounts for other purposes, as the local housing and management authority may establish.

SEC. 105. LIMITATION ON ADMISSION OF DRUG OR ALCOHOL ABUSERS TO ASSISTED HOUSING.

(a) AUTHORITY.—Notwithstanding any other provision of law, a local housing and management authority may establish standards for occupancy in public housing dwelling units and assistance under title III, that prohibit admission to such units and assistance under title III by any person—

(1) who currently illegally uses a controlled substance; or

(2) whose history of illegal use of a controlled substance or use of alcohol, or current use of alcohol, provides reasonable cause for the authority to believe that the occupancy by such individual may interfere with the health, safety, or right to peaceful enjoyment of the premises by other residents.

(b) CONSIDERATION OF REHABILITATION.—In determining whether, pursuant to subsection (a), to deny admission or assistance to any person based on a history of use of a controlled substance or alcohol, a local housing and management authority may consider whether such person—

(1) has successfully completed a supervised drug or alcohol rehabilitation program (as applicable) and is no longer engaging in the illegal use of a controlled substance or use of alcohol (as applicable),

(2) has otherwise been rehabilitated successfully and is no longer engaging in the illegal use of a controlled substance or use of alcohol (as applicable), or

(3) is participating in a supervised drug or alcohol rehabilitation program (as applicable) and is no longer engaging in the illegal use of a controlled substance or use of alcohol (as applicable),

and in making such a determination may obtain recommendations of social workers, drug and alcohol counselors, probation officers, and former landlords for such person.

SEC. 106. COMMUNITY WORK AND FAMILY SELF-SUFFICIENCY REQUIREMENT.

(a) REQUIREMENT.—Except as provided in subsection (b), each local housing and management authority shall require, as a condition of occupancy of a public housing dwelling unit by a family and of providing housing assistance under title III on behalf of a family, that each adult member of the family shall—

(1) contribute not less than 8 hours of work per month within the community in which the family resides; or

(2) participate on an ongoing basis in a program designed to promote economic self-sufficiency.

(b) EXEMPTIONS.—A local housing and management authority shall provide for the exemption, from the applicability of the requirement under subsection (a), of each individual who is—

(1) an elderly person and unable, as determined in accordance with guidelines established by the Secretary, to comply with the requirement;

(2) a person with disabilities and unable (as so determined) to comply with the requirement;

(3) working, attending school or vocational training, or otherwise complying with work requirements applicable under other public assistance programs, and unable (as so determined) to comply with the requirement; or

(4) otherwise physically impaired, as certified by a doctor, and is therefore unable to comply with the requirement.

SEC. 107. LOCAL HOUSING MANAGEMENT PLANS.

(a) IN GENERAL.—In accordance with this section, the Secretary shall provide for each local housing and management authority to submit to the Secretary a local housing management plan under this section for each fiscal year that describes the mission of the local housing and management authority and the goals, objectives, and policies of the authority to meet the housing needs of low-income families in the jurisdiction of the authority.

(b) PROCEDURES.—The Secretary shall establish requirements and procedures for submission and review of plans and for the contents of such plans. Such procedures shall provide for local housing and management authorities to, at the option of the authority, submit plans under this section together with, or as part of, the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act (or any consolidated plan incorporating such strategy) for the relevant jurisdiction and for concomitant review of such plans.

(c) CONTENTS.—A local housing management plan under this section for a local housing and management authority shall contain the following information relating to the upcoming fiscal year for which the assistance under this Act is to be made available:

(1) FINANCIAL RESOURCES.—An operating budget for the authority that includes—

(A) a description of the financial resources available to the authority;

(B) the uses to which such resources will be committed, including eligible and required activities under section 203 to be assisted, housing assistance to be provided under title III, and administrative, management, maintenance, and capital improvement activities to be carried out; and

(C) an estimate of the market rent value of each public housing development of the authority.

(2) POPULATION SERVED.—A statement of the policies of the authority governing eligibility, admissions, and occupancy of families with respect to public housing dwelling units and housing assistance under title III, including—

(A) the requirements for eligibility for such units and assistance and the method by which eligibility will be determined and verified;

(B) the requirements for selection and admissions of eligible families for such units and assistance, including any preferences established under section 223 or 321(c) and the criteria for selection under section 222(b);

(C) the procedures for assignment of families admitted to dwelling units owned, operated, or assisted by the authority;

(D) any standards and requirements for occupancy of public housing dwelling units and units assisted under title III, including conditions for continued occupancy, termination of tenancy, eviction, and termination of housing assistance under section 321(g);

(E) the criteria under subsections (d) and (f) of section 321 for providing and denying housing assistance under title III to families moving into the jurisdiction of the authority;

(F) the fair housing policy of the authority; and

(G) the procedures for outreach efforts (including efforts that are planned and that have been executed) to homeless families and to entities providing assistance to homeless families, in the jurisdiction of the authority.

(3) RENT DETERMINATION.—A statement of the policies of the authority governing rents charged for public housing dwelling units and rental contributions of assisted families under title III, including—

(A) the methods by which such rents are determined under section 225 and such contributions are determined under section 322;

(B) an analysis of how such methods affect—

(i) the ability of the authority to provide housing assistance for families having a broad range of incomes;

(ii) the affordability of housing for families having incomes that do not exceed 30 percent of the median family income for the area; and

(iii) the availability of other financial resources to the authority.

(4) QUALITY STANDARDS FOR MAINTENANCE AND MANAGEMENT.—A statement of the standards and policies of the authority governing maintenance and man-

agement of housing owned and operated by the authority, and management of the local housing and management authority, including—

(A) housing quality standards in effect pursuant to sections 232 and 328 and any certifications required under such sections;

(B) routine and preventative maintenance policies for public housing;

(C) emergency and disaster plans for public housing;

(D) rent collection and security policies for public housing;

(E) priorities and improvements for management of public housing; and

(F) priorities and improvements for management of the authority, including improvement of electronic information systems to facilitate managerial capacity and efficiency.

(5) GRIEVANCE PROCEDURE.—A statement of the grievance procedures of the authority under section 110.

(6) CAPITAL IMPROVEMENTS.—With respect to public housing developments owned or operated by the authority, a plan describing—

(A) the capital improvements necessary to ensure long-term physical and social viability of the developments; and

(B) the priorities of the authority for capital improvements based on analysis of available financial resources, consultation with residents, and health and safety considerations.

(7) DEMOLITION AND DISPOSITION.—With respect to public housing developments owned or operated by the authority—

(A) a description of any such housing to be demolished or disposed of under subtitle E of title II;

(B) a timetable for such demolition or disposition; and

(C) any information required under section 261(h) with respect to such demolition or disposition.

(8) DESIGNATION OF HOUSING FOR ELDERLY AND DISABLED FAMILIES.—With respect to public housing developments owned or operated by the authority, a description of any developments (or portions thereof) that the authority has designated or will designate for occupancy by elderly and disabled families in accordance with section 227 and any information required under section 227(c) for such designated developments.

(9) CONVERSION OF PUBLIC HOUSING.—With respect to public housing owned or operated by the authority, a description of any building or buildings that the authority is required under section 203(b) to convert to housing assistance under title III, an analysis of such buildings showing that the buildings meet the requirements under such section for such conversion, and a statement of the amount of grant amounts under title II to be used for rental assistance under title III.

(10) HOMEOWNERSHIP ACTIVITIES.—A description of any homeownership programs of the authority under subtitle D of title II or section 329 for the authority and the requirements and assistance available under such programs.

(11) COORDINATION WITH WELFARE AGENCIES.—A description of how the authority will coordinate with State welfare agencies to ensure that public housing residents and assisted families will be provided with access to resources to assist in obtaining employment and achieving self-sufficiency.

(12) SAFETY AND CRIME PREVENTION.—A description of the requirements established by the authority that ensure the safety of public housing residents, facilitate the authority undertaking crime prevention measures (such as community policing, where appropriate), allow resident input and involvement, and allow for creative methods to increase public housing resident safety by coordinating crime prevention efforts between the authority and local law enforcement officials.

(d) 5-YEAR PLAN.—Each local housing management plan under this section for a local housing and management authority shall contain, with respect to the 5-year period beginning with the fiscal year for which the plan is submitted, the following information:

(1) STATEMENT OF MISSION.—A statement of the mission of the authority for serving the needs of low-income families in the jurisdiction of authority during such period.

(2) GOALS AND OBJECTIVES.—A statement of the goals and objectives of the authority that will enable the authority to serve the needs identified pursuant to paragraph (1) during such period.

(3) CAPITAL IMPROVEMENT OVERVIEW.—If the authority will provide capital improvements for public housing developments during such period, an overview of such improvements, the rationale for such improvements, and an analysis of

how such improvements will enable the authority to meet its goals, objectives, and mission.

(e) CITIZEN PARTICIPATION.—

(1) IN GENERAL.—Before submitting a plan under this section or an amendment under section 108(f) to a plan, a local housing and management authority shall make the plan or amendment publicly available in a manner that affords affected public housing residents and assisted families under title III, citizens, public agencies, entities providing assistance and services for homeless families, and other interested parties an opportunity, for a period not shorter than 60 days and ending at a time that reasonably provides for compliance with the requirements of paragraph (2), to examine its content and to submit comments to the authority.

(2) CONSIDERATION OF COMMENTS.—A local housing and management authority shall consider any comments or views provided pursuant to paragraph (1) in preparing a final plan or amendment for submission to the Secretary. A summary of such comments or views shall be attached to the plan, amendment, or report submitted. The submitted plan, amendment, or report shall be made publicly available upon submission.

(f) LOCAL REVIEW.—Before submitting a plan under this section to the Secretary, the local housing and management authority shall submit the plan to any local elected official or officials responsible for appointing the members of the board of directors (or other similar governing body) of the local housing and management authority for review and approval.

(g) PLANS FOR SMALL LHMA'S AND LHMA'S ADMINISTERING ONLY RENTAL ASSISTANCE.—The Secretary shall establish requirements for submission of plans under this section and the information to be included in such plans applicable to housing and management authorities that own or operate less than 250 public housing dwelling units and shall establish requirements for such submission and information applicable to authorities that only administer housing assistance under title III (and do not own or operate public housing). Such requirements shall waive any requirements under this section that the Secretary determines are burdensome or unnecessary for such agencies.

SEC. 108. REVIEW OF PLANS.

(a) REVIEW AND NOTICE.—

(1) REVIEW.—The Secretary shall conduct a limited review of each local housing management plan submitted to the Secretary to ensure that the plan is complete and complies with the requirements of section 107. The Secretary shall have the discretion to review a plan only to the extent that the Secretary considers review is necessary.

(2) NOTICE.—The Secretary shall notify each local housing and management authority submitting a plan whether the plan complies with such requirements not later than 75 days after receiving the plan. If the Secretary does not notify the local housing and management authority, as required under this subsection and subsection (b), the plan shall be considered, for purposes of this Act, to have been determined to comply with the requirements under section 107 and the authority shall be considered to have been notified of compliance upon the expiration of such 75-day period.

(b) NOTICE OF REASONS FOR DETERMINATION OF NONCOMPLIANCE.—If the Secretary determines that a plan, as submitted, does not comply with the requirements under section 107, the Secretary shall specify in the notice under subsection (a) the reasons for the noncompliance and any modifications necessary for the plan to meet the requirements under section 107.

(c) STANDARDS FOR DETERMINATION OF NONCOMPLIANCE.—The Secretary may determine that a plan does not comply with the requirements under section 107 only if—

(1) the plan is incomplete in significant matters required under such section;

(2) there is evidence available to the Secretary that challenges, in a substantial manner, any information provided in the plan; or

(3) the Secretary determines that the plan violates the purposes of this Act because it fails to provide housing that will be viable on a long-term basis at a reasonable cost.

(d) TREATMENT OF EXISTING PLANS.—Notwithstanding any other provision of this title, a local housing and management authority shall be considered to have submitted a plan under this section if the authority has submitted to the Secretary a comprehensive plan under section 14(e) of the United States Housing Act of 1937 (as in effect immediately before the enactment of this Act) or under the comprehensive improvement assistance program under such section 14, and the Secretary has ap-

proved such plan, before January 1, 1994. The Secretary shall provide specific procedures and requirements for such authorities to amend such plans by submitting only such additional information as is necessary to comply with the requirements of section 107.

(e) ACTIONS TO CHANGE PLAN.—A local housing and management authority that has submitted a plan under section 107 may change actions or policies described in the plan before submission and review of the plan of the authority for the next fiscal year only if—

(1) in the case of costly or nonroutine changes, the authority submits to the Secretary an amendment to the plan under subsection (f) which is reviewed in accordance with such subsection; or

(2) in the case of inexpensive or routine changes, the authority describes such changes in such local housing management plan for the next fiscal year.

(f) AMENDMENTS TO PLAN.—

(1) IN GENERAL.—During the annual or 5-year period covered by the plan for a local housing and management authority, the authority may submit to the Secretary any amendments to the plan.

(2) REVIEW.—The Secretary shall conduct a limited review of each proposed amendment submitted under this subsection to determine whether the plan, as amended by the amendment, complies with the requirements of section 107 and notify each local housing and management authority submitting the amendment whether the plan, as amended, complies with such requirements not later than 30 days after receiving the amendment. If the Secretary determines that a plan, as amended, does not comply with the requirements under section 107, such notice shall indicate the reasons for the noncompliance and any modifications necessary for the plan to meet the requirements under section 107. If the Secretary does not notify the local housing and management authority as required under this paragraph, the plan, as amended, shall be considered, for purposes of this section, to comply with the requirements under section 107.

(3) STANDARDS FOR DETERMINATION OF NONCOMPLIANCE.—The Secretary may determine that a plan, as amended by a proposed amendment, does not comply with the requirements under section 107 only if—

(A) the plan, as amended, would be subject to a determination of noncompliance in accordance with the provisions of subsection (c); or

(B) the Secretary determines that—

(i) the proposed amendment is plainly inconsistent with the activities specified in the plan;

(ii) there is evidence that challenges, in a substantial manner, any information contained in the amendment; or

(3) the Secretary determines that the plan, as amended, violates the purposes of this Act because it fails to provide housing that will be viable on a long-term basis at a reasonable cost.

(4) AMENDMENTS TO EXTEND TIME OF PERFORMANCE.—Notwithstanding any other provision of this subsection, the Secretary may not determine that any amendment to the plan of a local housing and management authority that extends the time for performance of activities assisted with amounts provided under this title fails to comply with the requirements under section 107 if the Secretary has not provided the amount of assistance set forth in the plan or has not provided the assistance in a timely manner.

SEC. 109. PET OWNERSHIP.

A resident of a public housing dwelling unit or an assisted dwelling unit (as such term is defined in section 371) may own common household pets or have common household pets present in the dwelling unit of such resident to the extent allowed by the local housing and management authority or the owner of the assisted dwelling unit, respectively. Notwithstanding the preceding sentence, pet ownership in housing assisted under this Act that is federally assisted rental housing for the elderly or handicapped (as such term is defined in section 227 of the Housing and Urban-Rural Recovery Act of 1983) shall be governed by the provisions of section 227 of such Act.

SEC. 110. ADMINISTRATIVE GRIEVANCE PROCEDURE.

(a) REQUIREMENTS.—Each local housing and management authority receiving assistance under this Act shall establish and implement an administrative grievance procedure under which residents of public housing and assisted families under title III will—

(1) be advised of the specific grounds of any proposed adverse local housing and management authority action;

(2) have an opportunity for a hearing before an impartial party upon timely request within a reasonable period of time;

(3) have an opportunity to examine any documents or records or regulations related to the proposed action;

(4) be entitled to be represented by another person of their choice at any hearing;

(5) be entitled to ask questions of witnesses and have others make statements on their behalf; and

(6) be entitled to receive a written decision by the local housing and management authority on the proposed action.

(b) EXCLUSION FROM ADMINISTRATIVE PROCEDURE OF GRIEVANCES CONCERNING EVICTIONS FROM PUBLIC HOUSING.—A local housing and management authority shall exclude from its procedure established under subsection (a) any grievance concerning an eviction from or termination of tenancy in public housing in any State which requires that, prior to eviction, a resident be provided a hearing in court which the Secretary determines provides the basic elements of due process.

(c) COSTS OF GRIEVANCE PROCEDURE.—The costs of administering a grievance procedure under this section (including costs of retaining counsel) shall be considered operating activities of a local housing and management authority.

SEC. 111. HEADQUARTERS RESERVE FUND.

(a) ANNUAL RESERVATION OF AMOUNTS.—Notwithstanding any other provision of law, the Secretary may retain not more than 3 percent of the amounts appropriated to carry out title II for any fiscal year to provide incremental housing assistance under title III in accordance with this section.

(b) USE OF AMOUNTS.—Any amounts that are retained under subsection (a) shall be available for subsequent allocation to specific areas and communities, and may only be used for the Department of Housing and Urban Development and—

(1) unforeseen housing needs resulting from natural and other disasters;

(2) housing needs resulting from emergencies, as certified by the Secretary, other than such disasters;

(3) housing needs related to a settlement of litigation, including settlement of fair housing litigation; and

(4) providing technical assistance, training, and electronic information systems for the Department of Housing and Urban Development and local housing and management authorities to improve management of such authorities.

SEC. 112. LABOR STANDARDS.

(a) IN GENERAL.—Any contract for grants, sale, or lease pursuant to this Act relating to public housing shall contain the following provisions:

(1) OPERATION.—A provision requiring that not less than the wages prevailing in the locality, as determined or adopted (subsequent to a determination under applicable State or local law) by the Secretary, shall be paid to all contractors and persons employed in the operation of the low-income housing development involved.

(2) PRODUCTION.—A provision that not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C. 276a–276a–5), shall be paid to all laborers and mechanics employed in the production of the development involved.

The Secretary shall require certification as to compliance with the provisions of this section before making any payment under such contract.

(b) EXCEPTIONS.—Subsection (a) and the provisions relating to wages (pursuant to subsection (a)) in any contract for grants, sale, or lease pursuant to this Act relating to public housing, shall not apply to any of the following individuals:

(1) VOLUNTEERS.—Any individual who—

(A) performs services for which the individual volunteered;

(B)(i) does not receive compensation for such services; or

(ii) is paid expenses, reasonable benefits, or a nominal fee for such services; and

(C) is not otherwise employed at any time in the construction work.

(2) RESIDENTS EMPLOYED BY LHMA.—Any resident of a public housing development who is an employee of the local housing and management authority for the development and performs services in connection with the operation or production of a low-income housing project owned or managed by such authority.

SEC. 113. NONDISCRIMINATION.

(a) IN GENERAL.—No person in the United States shall on the grounds of race, color, national origin, religion, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity

funded in whole or in part with amounts made available under this Act. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 or with respect to an otherwise qualified handicapped individual as provided in section 504 of the Rehabilitation Act of 1973 shall also apply to any such program or activity.

(b) CIVIL RIGHTS COMPLIANCE.—Each local housing and management authority that receives grant amounts under this Act shall use such amounts and carry out its local housing management plan approved under section 108 in conformity with title VI of the Civil Rights Act of 1964, the Fair Housing Act, section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and the Americans With Disabilities Act of 1990, and shall affirmatively further fair housing.

SEC. 114. EFFECTIVE DATE AND REGULATIONS.

(a) EFFECTIVE DATE.—The provisions of this Act and the amendments made by this Act shall take effect and shall apply on the date of the enactment of this Act, unless such provisions or amendments specifically provide for effectiveness or applicability on another date certain.

(b) REGULATIONS.—The Secretary may issue any regulations necessary to carry out this Act.

(c) RULE OF CONSTRUCTION.—Any failure by the Secretary to issue any regulations authorized under subsection (b) shall not affect the effectiveness of any provision of this Act or any amendment made by this Act.

TITLE II—PUBLIC HOUSING

Subtitle A—Block Grants

SEC. 201. BLOCK GRANT CONTRACTS.

(a) IN GENERAL.—The Secretary shall enter into contracts with local housing and management authorities under which—

(1) the Secretary agrees to make a block grant under this title, in the amount provided under section 202(c), for assistance for low-income housing to the local housing and management authority for each fiscal year covered by the contract; and

(2) the authority agrees—

(A) to provide safe, clean, and healthy housing that is affordable to low-income families and services for families in such housing;

(B) to operate, or provide for the operation, of such housing in a financially sound manner;

(C) to use the block grant amounts in accordance with this title and the local housing management plan for the authority that complies with the requirements of section 107;

(D) to involve residents of housing assisted with block grant amounts in functions and decisions relating to management and the quality of life in such housing;

(E) that the management of the public housing of the authority shall be subject to actions authorized under subtitle B of title IV;

(F) that the Secretary may take actions under section 205 with respect to improper use of grant amounts provided under the contract; and

(G) to otherwise comply with the requirements under this title.

(b) MODIFICATION.—Contracts and agreements between the Secretary and a local housing and management authority may not be amended in a manner which would—

(1) impair the rights of—

(A) leaseholders for units assisted pursuant to a contract or agreement; or

(B) the holders of any outstanding obligations of the local housing and management authority involved for which annual contributions have been pledged; or

(2) provide for payment of block grant amounts under this title in an amount exceeding the allocation for the authority determined under section 204.

Any rule of law contrary to this subsection shall be deemed inapplicable.

(c) CONDITIONS ON RENEWAL.—Each block grant contract under this section shall provide, as a condition of renewal of the contract with the local housing and management authority, that the authority's accreditation be renewed by the Housing

Foundation and Accreditation Board pursuant to review under section 433 by such Board.

SEC. 202. BLOCK GRANT AUTHORITY AND AMOUNT.

(a) AUTHORITY.—The Secretary shall make block grants under this title to eligible local housing and management authorities in accordance with block grant contracts under section 201.

(b) ELIGIBILITY.—A local housing and management authority shall be an eligible local housing and management authority with respect to a fiscal year for purposes of this title only if—

(1) the Secretary has entered into a block grant contract with the authority;

(2) the authority has submitted a local housing management plan to the Secretary for such fiscal year;

(3) the plan has been determined to comply with the requirements under section 107 and the Secretary has not notified the authority that the plan fails to comply with such requirements;

(4) the authority is accredited under section 433 by the Housing Foundation and Accreditation Board;

(5) the authority is exempt from local taxes, as provided under subsection (d), or receives a contribution, as provided under such subsection;

(6) no member of the board of directors or other governing body of the authority, or the executive director, has been convicted of a felony;

(7) the authority has entered into an agreement providing for local cooperation in accordance with subsection (e); and

(8) the authority has not been disqualified for a grant pursuant to section 205(a) or subtitle B of title IV.

(c) AMOUNT OF GRANTS.—The amount of the grant under this title for a local housing and management authority for a fiscal year shall be the amount of the allocation for the authority determined under section 204, except as otherwise provided in this title and subtitle B of title IV.

(d) PAYMENTS IN LIEU OF STATE AND LOCAL TAXATION OF PUBLIC HOUSING DEVELOPMENTS.—

(1) EXEMPTION FROM TAXATION.—A local housing and management authority may receive a block grant under this title only if—

(A)(i) the developments of the authority (exclusive of any portions not assisted with amounts provided under this title) are exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivision; and

(ii) the local housing and management authority makes payments in lieu of taxes to such taxing authority equal to 10 percent of the sum, for units charged in the developments of the authority, of the difference between the gross rent and the utility cost, or such lesser amount as is—

(I) prescribed by State law;

(II) agreed to by the local governing body in its agreement under subsection (e) for local cooperation with the local housing and management authority or under a waiver by the local governing body; or

(III) due to failure of a local public body or bodies other than the local housing and management authority to perform any obligation under such agreement; or

(B) the authority complies with the requirements under subparagraph (A) with respect to public housing developments (including public housing units in mixed-income developments), but the authority agrees that the units other than public housing units in any mixed-income developments (as such term is defined in section 221(c)(2)) shall not be subject to any otherwise applicable real property taxes imposed by the State, city, county or other political subdivision.

(2) EFFECT OF FAILURE TO EXEMPT FROM TAXATION.—Notwithstanding paragraph (1), a local housing and management authority that does not comply with the requirements under such paragraph may receive a block grant under this title, but only if the State, city, county, or other political subdivision in which the development is situated contributes, in the form of cash or tax remission, the amount by which the taxes paid with respect to the development exceed 10 percent of the gross rent and utility cost charged in the development.

(e) LOCAL COOPERATION.—In recognition that there should be local determination of the need for low-income housing to meet needs not being adequately met by private enterprise, the Secretary may not make any grant under this title to a local housing and management authority unless the governing body of the locality in-

volved has entered into an agreement with the authority providing for the local cooperation required by the Secretary pursuant to this title.

(f) EXCEPTION.—Notwithstanding subsection (a), the Secretary may make a grant under this title for a local housing and management authority that is not an eligible local housing and management authority but only for the period necessary to secure, in accordance with this title, an alternative local housing and management authority for the public housing of the ineligible authority.

SEC. 203. ELIGIBLE AND REQUIRED ACTIVITIES.

(a) ELIGIBLE ACTIVITIES.—Except as provided in subsection (b), amounts from a grant made under this title may be used only for the following activities and costs:

(1) PRODUCTION.—Production of public housing developments and any production costs.

(2) OPERATION.—Operation of public housing developments in a manner appropriate to ensure the viability of the developments as low-income housing and provision of safety, security, and law enforcement measures and activities necessary to protect residents from crime, which shall include providing adequate operating services and reserve funds.

(3) MODERNIZATION.—Improvement of the physical condition of existing public housing developments (including routine and timely improvements, rehabilitation, and replacement of systems, and major rehabilitation, redesign, reconstruction, and redevelopment) and upgrading the management and operation of such developments, to ensure that such developments continue to be available for use as low-income housing.

(4) RESIDENT PROGRAMS.—Provision of social, educational, employment, self-sufficiency, and other services to the residents of public housing developments, including providing part of the non-Federal share required in connection with activities undertaken under Federal grant-in-aid programs.

(5) HOMEOWNERSHIP ACTIVITIES.—Activities in connection with a homeownership program for public housing residents under subtitle D, including providing financing or assistance for purchasing housing, or the provision of financial assistance to resident management corporations or resident councils to obtain training, technical assistance, and educational assistance to promote homeownership opportunities.

(6) RESIDENT MANAGEMENT ACTIVITIES.—Activities in connection with establishing, organizing, training, and assisting resident councils and resident management corporations for public housing developments.

(7) DEMOLITION AND DISPOSITION ACTIVITIES.—Activities in connection with the disposition or demolition of public housing under section 261.

(8) PAYMENTS IN LIEU OF TAXES.—Payments in accordance with the requirement under section 202(d)(1).

(9) EMERGENCY CORRECTIONS.—Correction of conditions that constitute an immediate threat to the health or safety of residents of public housing developments, without regard to whether the need for such correction is indicated in the local housing management plan of the authority.

(10) PREPARATION OF LOCAL HOUSING MANAGEMENT PLANS.—Preparation of local housing management plans (including reasonable costs that may be necessary to assist residents in participating in the planning process in a meaningful way) and conducting annual financial and performance audits under section 432.

(11) LHMA INSURANCE.—Purchase of insurance by local housing and management authorities (and their contractors), except that—

(A) any such insurance so purchased shall be competitively selected;

(B) any coverage provided under such policies, as certified by the authority, shall provide reasonable coverage for the risk of liability exposure, taking into consideration the potential liability concerns inherent in the testing and abatement of lead-based paint, and the managerial and quality assurance responsibilities associated with the conduct of such activities; and

(C) notwithstanding any other provision of State or Federal law, regulation or other requirement, any line of insurance from a nonprofit insurance entity, owned and controlled by local housing and management authorities and approved by the Secretary, may be purchased without regard to competitive procurement.

(12) PAYMENT OF OUTSTANDING DEVELOPMENT BONDS AND NOTES ISSUED UNDER 1937 ACT.—Payment of principal and interest payable on obligations issued pursuant to section 5 of the United States Housing Act of 1937 (as in effect before the date of the enactment of this Act) by a local housing and manage-

ment authority to finance the production of public housing, except that the Secretary shall retain the authority to forgive such debt.

(13) MUTUAL HELP HOMEOWNERSHIP OPPORTUNITY PROGRAMS FOR INDIAN HOUSING AUTHORITIES.—In the case of an Indian housing authority, production, operation, and modernization of developments under a mutual help homeownership program subject to the requirements under section 202 of the United States Housing Act of 1937 (as in effect immediately before the enactment of this Act), except that any reference in such section to assistance under such section or such Act shall be construed to refer to assistance under this title and subsection (b) of such section shall not apply.

(b) REQUIRED CONVERSION OF ASSISTANCE FOR PUBLIC HOUSING TO RENTAL HOUSING ASSISTANCE.—

(1) REQUIREMENT.—A local housing and management authority that receives grant amounts under this title shall provide assistance in the form of rental housing assistance under title III or appropriate site revitalization or other appropriate capital improvements approved by the Secretary, in lieu of assisting the operation and modernization of any building or buildings of public housing, if the authority provides sufficient evidence to the Secretary that—

(A) the building is distressed or substantially vacant;

(B) the estimated cost of continued operation and modernization of the building exceeds the cost of providing choice-based rental assistance under title III; and

(C) there is a sufficient supply of available and affordable housing to make the use of such voucher assistance feasible.

(2) USE OF OTHER AMOUNTS.—In addition to grant amounts under this title attributable (pursuant to the formula under section 204) to the building or buildings identified under paragraph (1), the Secretary may use amounts provided in appropriation Acts for incremental choice-based housing assistance and, to the extent approved in advance, for the renewal of assistance under section 8 of the United States Housing Act of 1937 (as in effect before the date of enactment of this Act), for assistance under title III for families residing in such building or buildings or for appropriate site revitalization or other appropriate capital improvements approved by the Secretary.

(3) ENFORCEMENT.—The Secretary shall take appropriate action to ensure conversion of any building or buildings identified under paragraph (1) and any other appropriate action under this subsection, if the local housing and management authority fails to take appropriate action under this subsection.

(4) FAILURE OF LHMA'S TO COMPLY WITH CONVERSION REQUIREMENT.—If the Secretary determines that—

(A) a local housing and management authority has failed under paragraph (1) to identify a building or buildings in a timely manner,

(B) a local housing and management authority has failed to identify one or more buildings which the Secretary determines should have been identified under paragraph (1), or

(C) one or more of the buildings identified by the local housing and management authority pursuant to paragraph (1) should not, in the determination of the Secretary, have been identified under that paragraph,

the Secretary may identify a building or buildings for conversion and other appropriate action pursuant to this subsection.

(5) CESSATION OF UNNECESSARY SPENDING.—Notwithstanding any other provision of law, if, in the determination of the Secretary, a building or buildings meets or is likely to meet the criteria set forth in paragraph (1), the Secretary may direct the local housing and management authority to cease additional spending in connection with such building or buildings, except to the extent that additional spending is necessary to ensure safe, clean, and healthy housing until the Secretary determines or approves an appropriate course of action with respect to such building or buildings under this subsection.

(6) USE OF BUDGET AUTHORITY.—Notwithstanding any other provision of law, if a building or buildings are identified pursuant to paragraph (1), the Secretary may authorize or direct the transfer, to the choice-based or tenant-based assistance program of such authority or to appropriate site revitalization or other capital improvements approved by the Secretary, of—

(A) in the case of an authority receiving assistance under the comprehensive improvement assistance program, any amounts obligated by the Secretary for the modernization of such building or buildings pursuant to section 14 of the United States Housing Act of 1937, as in effect immediately before the date of enactment of this Act;

(B) in the case of an authority receiving public and Indian housing modernization assistance by formula pursuant to such section 14, any amounts provided to the authority which are attributable pursuant to the formula for allocating such assistance to such building or buildings;

(C) in the case of an authority receiving assistance for the major reconstruction of obsolete projects, any amounts obligated by the Secretary for the major reconstruction of such building or buildings pursuant to section 5(j)(2) of the United States Housing Act of 1937, as in effect immediately before the date of enactment of this Act; and

(D) in the case of an authority receiving assistance pursuant to the formula under section 204, any amounts provided to the authority which are attributable pursuant to the formula for allocating such assistance to such building or buildings.

(c) FUNGIBILITY OF AMOUNTS.—Any amounts provided under a block grant under this title may be used for any eligible activity under subsection (a) or for conversion under subsection (b), notwithstanding whether such amounts are attributable to the operating allocation under section 204(d)(1) or the capital improvements allocation for the local housing and management authority determined under section 204(d)(2).

(d) COMPLIANCE WITH PLAN.—The local housing management plan submitted by a local housing and management authority (including any amendments to the plan), unless determined under section 108 not to comply with the requirements under section 107, shall be binding upon the Secretary and the local housing and management authority and the authority shall use any grant amounts provided under this title for eligible activities under subsection (a) in accordance with the plan. This subsection may not be construed to preclude changes or amendments to the plan, as authorized under section 108(e) or any actions authorized by this Act to be taken without regard to a local housing management plan.

SEC. 204. DETERMINATION OF BLOCK GRANT ALLOCATION.

(a) IN GENERAL.—For each fiscal year, after reserving amounts under section 111 from the aggregate amount made available for the fiscal year for carrying out this title, the Secretary shall allocate any remaining amounts among eligible local housing and management authorities in accordance with this section, so that the sum of all of the allocations for all eligible authorities is equal to such remaining amount.

(b) ALLOCATION AMOUNT.—The Secretary shall determine the amount of the allocation for each eligible local housing and management authority, which shall be—

(1) for any fiscal year beginning after the enactment of a law containing a formula described in subsection (c), the amount determined under such formula; or

(2) for any fiscal year beginning before the expiration of such period, the sum of—

(A) the operating allocation determined under subsection (d)(1) for the authority; and

(B) the capital improvement allocation determined under subsection (d)(2) for the authority.

(c) PERMANENT ALLOCATION FORMULA.—

(1) FORMULA.—A formula under this subsection shall provide for allocating amounts available for a fiscal year for block grants under this title for each local housing and management authority. The formula should reward performance and may consider factors that reflect the different characteristics and sizes of local housing and management authorities, the relative needs, revenues, costs, and capital improvements of authorities, and the relative costs to authorities of operating a well-managed authority that meets the performance targets for the authority established in the local housing management plan for the authority.

(2) DEVELOPMENT UNDER NEGOTIATED RULEMAKING PROCEDURE.—The formula under this subsection shall be developed according to procedures for issuance of regulations under the negotiated rulemaking procedure under subchapter III of chapter 5 of title 5, United States Code, except that the formula shall not be contained in a regulation.

(3) REPORT.—Not later than the expiration of the 18-month period beginning upon the enactment of this Act, the Secretary shall submit a report to the Congress containing the proposed formula established pursuant to paragraph (2) that meets the requirements of this subsection.

(d) INTERIM ALLOCATION REQUIREMENTS.—

(1) OPERATING ALLOCATION.—

(A) APPLICABILITY TO 50 PERCENT OF APPROPRIATED AMOUNTS.—Of any amounts available for allocation under this subsection for a fiscal year, 50 percent shall be used only to provide amounts for operating allocations under this paragraph for eligible local housing and management authorities.

(B) DETERMINATION.—The operating allocation under this subsection for a local housing and management authority for a fiscal year shall be an amount determined by applying, to the amount to be allocated under this paragraph, the formula used for determining the distribution of operating subsidies for fiscal year 1995 to public housing agencies (as modified under subparagraph (C)) under section 9 of this Act, as in effect before the enactment of this Act.

(C) TREATMENT OF CHRONICALLY VACANT UNITS.—The Secretary shall revise the formula referred to in subparagraph (B) so that the formula does not provide any amounts, other than utility costs, attributable to any dwelling unit of a local housing and management authority that has been vacant continuously for 6 or more months. A unit shall not be considered vacant for purposes of this paragraph if the unit is unoccupied because of rehabilitation or renovation that is on-schedule.

(2) CAPITAL IMPROVEMENT ALLOCATION.—

(A) APPLICABILITY TO 50 PERCENT OF APPROPRIATED AMOUNTS.—Of any amounts available for allocation under this subsection for a fiscal year, 50 percent shall be used only to provide amounts for capital improvement allocations under this paragraph for eligible local housing and management authorities.

(B) DETERMINATION.—The capital improvement allocation under this subsection for an eligible local housing and management authority for a fiscal year shall be determined by applying, to the amount to be allocated under this paragraph, the formula used for determining the distribution of modernization assistance for fiscal year 1995 to public housing agencies under section 14 of this Act, as in effect before the enactment of this Act, except that Secretary shall establish a method for taking into consideration allocation of amounts under the comprehensive improvement assistance program.

SEC. 205. SANCTIONS FOR IMPROPER USE OF AMOUNTS.

(a) IN GENERAL.—In addition to any other actions authorized under this title, if the Secretary finds pursuant to an annual financial and performance audit under section 432 that a local housing and management authority receiving grant amounts under this title has failed to comply substantially with any provision of this title, the Secretary may—

(1) terminate payments under this title to the authority;

(2) withhold from the authority amounts from the total allocation for the authority pursuant to section 204;

(3) reduce the amount of future grant payments under this title to the authority by an amount equal to the amount of such payments that were not expended in accordance with this title;

(4) limit the availability of grant amounts provided to the authority under this title to programs, projects, or activities not affected by such failure to comply;

(5) withhold from the authority amounts allocated for the authority under title III; or

(6) order other corrective action with respect to the authority.

(b) TERMINATION OF COMPLIANCE ACTION.—If the Secretary takes action under subsection (a) with respect to a local housing and management authority, the Secretary shall—

(1) in the case of action under subsection (a)(1), resume payments of grant amounts under this title to the authority in the full amount of the total allocation under section 204 for the authority at the time that the Secretary first determines that the authority will comply with the provisions of this title;

(2) in the case of action under paragraph (2), (5), or (6) of subsection (a), make withheld amounts available as the Secretary considers appropriate to ensure that the authority complies with the provisions of this title; or

(3) in the case of action under subsection (a)(4), release such restrictions at the time that the Secretary first determines that the authority will comply with the provisions of this title.

Subtitle B—Admissions and Occupancy Requirements

SEC. 221. LOW-INCOME HOUSING REQUIREMENT.

(a) PRODUCTION ASSISTANCE.—Any public housing produced using amounts provided under a grant under this title or under the United States Housing Act of 1937 shall be operated as public housing for the 40-year period beginning upon such production.

(b) OPERATING ASSISTANCE.—No portion of any public housing development operated with amounts from a grant under this title or operating assistance provided under the United States Housing Act of 1937 may be disposed of before the expiration of the 10-year period beginning upon the conclusion of the fiscal year for which the grant or such assistance was provided, except as provided in this Act.

(c) CAPITAL IMPROVEMENTS ASSISTANCE.—Amounts may be used for eligible activities under section 203(a)(3) only for the following housing developments:

(1) LOW-INCOME DEVELOPMENTS.—Amounts may be used for a low-income housing development that—

(A) is owned by local housing and management authorities;

(B) is operated as low-income rental housing and produced or operated with assistance provided under a grant under this title; and

(C) is consistent with the purposes of this title.

Any development, or portion thereof, referred to in this paragraph for which activities under section 203(a)(3) are conducted using amounts from a grant under this title shall be maintained and used as public housing for the 20-year period beginning upon the receipt of such grant. Any public housing development, or portion thereof, that received the benefit of a grant pursuant to section 14 of the United States Housing Act of 1937 shall be maintained and used as public housing for the 20-year period beginning upon receipt of such amounts.

(2) MIXED INCOME DEVELOPMENTS.—Amounts may be used for mixed-income developments, which shall be a housing development that—

(A) contains dwelling units that are available for occupancy by families other than low-income families;

(B) contains a number of dwelling units—

(i) which units are made available (by master contract or individual lease) for occupancy only by low- and very low-income families identified by the local housing and management authority;

(ii) which number is not less than a reasonable number of units, including related amenities, taking into account the amount of the assistance provided by the authority compared to the total investment (including costs of operation) in the development;

(iii) which units are subject to the statutory and regulatory requirements of the public housing program, except that the Secretary may grant appropriate waivers to such statutory and regulatory requirements if reductions in funding or other changes to the program make continued application of such requirements impracticable;

(iv) which units are specially designated as dwelling units under this subparagraph, except the equivalent units in the development may be substituted for designated units during the period the units are subject to the requirements of the public housing program; and

(v) which units shall be eligible for assistance under this title; and

(C) is owned by the local housing and management authority, an affiliate controlled by it, or another appropriate entity.

Notwithstanding any other provision of this title, to facilitate the establishment of socioeconomically mixed communities, a local housing and management authority that uses grant amounts under this title for a mixed income development under this paragraph may, to the extent that income from such a development reduces the amount of grant amounts used for operating or other costs relating to public housing, use such resulting savings to rent privately developed dwelling units in the neighborhood of the mixed income development. Such units shall be made available for occupancy only by low-income families eligible for residency in public housing.

SEC. 222. FAMILY ELIGIBILITY.

(a) IN GENERAL.—Dwelling units in public housing may be rented only to families who are low-income families at the time of their initial occupancy of such units.

(b) INCOME MIX WITHIN DEVELOPMENTS.—A local housing and management authority may establish and utilize income-mix criteria for the selection of residents for dwelling units in public housing developments that limit admission to a development by selecting applicants having incomes appropriate so that the mix of incomes of families occupying the development is proportional to the income mix in the eligible population of the jurisdiction of the authority, as adjusted to take into consideration the severity of housing need. Any criteria established under this subsection shall be subject to the provisions of subsection (c).

(c) INCOME MIX.—Of the public housing dwelling units of a local housing and management authority made available for occupancy after the date of the enactment of this Act, not less than 25 percent shall be occupied by low-income families whose incomes do not exceed 30 percent of the area median income.

(d) WAIVER OF ELIGIBILITY REQUIREMENTS FOR OCCUPANCY BY POLICE OFFICERS.—

(1) AUTHORITY AND WAIVER.—To provide occupancy in public housing dwelling units to police officers and other law enforcement or security personnel (who are not otherwise eligible for residence in public housing) and to increase security for other public housing residents in developments where crime has been a problem, a local housing and management authority may, with respect to such units and subject to paragraph (2)—

(A) waive—

(i) the provisions of subsection (a) of this section and section 225(a);

(ii) the applicability of—

(I) any preferences for occupancy established under section 223;

(II) the minimum rental amount established pursuant to section 225(b) and any maximum monthly rental amount established pursuant to such section;

(III) any criteria relating to project income mix established under subsection (b);

(IV) the income mix requirements under subsection (c); and

(V) any other occupancy limitations or requirements; and

(B) establish special rent requirements and other terms and conditions of occupancy.

(2) CONDITIONS OF WAIVER.—A local housing and management authority may take the actions authorized in paragraph (1) only if authority determines that such actions will increase security in the public housing developments involved and will not result in a significant reduction of units available for residence by low-income families.

SEC. 223. PREFERENCES FOR OCCUPANCY.

(a) AUTHORITY TO ESTABLISH.—Any local housing and management authority may establish a system for making dwelling units in public housing available for occupancy that provides preference for such occupancy to families having certain characteristics.

(b) CONTENT.—Each system of preferences established pursuant to this section shall be based upon local housing needs and priorities, as determined by the local housing and management authority using generally accepted data sources. Each system of preferences established pursuant to this section shall be based upon local housing needs and priorities using generally accepted data sources, including any information obtained pursuant to an opportunity for public comment as provided under section 107(e) or under the requirements applicable to comprehensive housing affordability strategy for the relevant jurisdiction.

SEC. 224. ADMISSION PROCEDURES.

(a) ADMISSION REQUIREMENTS.—A local housing and management authority shall ensure that each family residing in a public housing development owned or administered by the authority is admitted in accordance with the procedures established under this title by the authority and the income limits under section 222.

(b) AVAILABILITY OF CRIMINAL RECORDS.—

(1) AVAILABILITY.—Notwithstanding any other provision of Federal, State, or local law, upon the request of any local housing and management authority, the National Crime Information Center, police departments, and any other law enforcement entities shall provide information to the authority regarding the criminal convictions of applicants for, or residents of, public housing for the purpose of applicant screening, lease enforcement, and eviction.

(2) CONTENT.—The information provided under paragraph (1) may not include information regarding any criminal conviction of such an applicant or resident for any act (or failure to act) occurring before the applicant or resident reached 18 years of age.

(3) CONFIDENTIALITY.—A local housing and management authority receiving information under this subsection may use such information only for the purposes provided in this subsection and such information may not be disclosed to any person who is not an officer or employee of the authority. The Secretary shall, by regulation, establish procedures necessary to ensure that information provided to a local housing and management authority under this subsection is used, and confidentiality of such information is maintained, as required under this subsection.

(4) PENALTY.—Any person who knowingly and willfully requests or obtains any information concerning an applicant for, or resident of, public housing pursuant to the authority under this subsection under false pretenses, or any person who knowingly and willfully discloses any such information in any manner to any individual not entitled under any law to receive it, shall be guilty of a misdemeanor and fined not more than $5,000. The term "person" as used in this paragraph shall include an officer or employee of any local housing and management authority.

(5) CIVIL ACTION.—Any applicant for, or resident of, public housing affected by (A) a negligent or knowing disclosure of information referred to in this section about such person by an officer or employee of any local housing and management authority, which disclosure is not authorized by this subsection, or (B) any other negligent or knowing action that is inconsistent with this subsection, may bring a civil action for damages and such other relief as may be appropriate against any officer or employee of any local housing and management authority responsible for such unauthorized action. The district court of the United States in the district in which the affected applicant or resident resides, in which such unauthorized action occurred, or in which the officer or employee alleged to be responsible for any such unauthorized action resides, shall have jurisdiction in such matters. Appropriate relief that may be ordered by such district courts shall include reasonable attorney's fees and other litigation costs.

(6) FEES.—A local housing and management authority may pay a reasonable fee to obtain information under this subsection.

(c) NOTIFICATION OF APPLICATION DECISIONS.—A local housing and management authority shall establish procedures designed to provide for notification to an applicant for admission to public housing of the determination with respect to such application, the basis for the determination, and, if the applicant is determined to be eligible for admission, the projected date of occupancy (to the extent such date can reasonably be determined). If an authority denies an applicant admission to public housing, the authority shall notify the applicant that the applicant may request an informal hearing on the denial within a reasonable time of such notification.

(d) CONFIDENTIALITY FOR VICTIMS OF DOMESTIC VIOLENCE.—A local housing and management authority shall be subject to the restrictions regarding release of information relating to the identity and new residence of any family in public housing that was a victim of domestic violence that are applicable to shelters pursuant to the Family Violence Prevention and Services Act. The authority shall work with the United States Postal Service to establish procedures consistent with the confidentiality provisions in the Violence Against Women Act of 1994.

(e) TRANSFERS.—A local housing and management authority may apply, to each public housing resident seeking to transfer from one development to another development owned or operated by the authority, the screening procedures applicable at such time to new applicants for public housing.

SEC. 225. FAMILY RENTAL PAYMENT.

(a) RENTAL CONTRIBUTION BY RESIDENT.—A family shall pay as monthly rent for a dwelling unit in public housing the amount that the local housing and management authority determines is appropriate with respect to the family and the unit, which shall be—

(1) based upon factors determined by the authority, which may include the adjusted income of the resident, type and size of dwelling unit, operating and other expenses of the authority, or any other factors that the authority considers appropriate; and

(2) an amount that is not less than the minimum monthly rental amount under subsection (b)(1) nor more than any maximum monthly rental amount established for the dwelling unit pursuant to subsection (b)(2).

In determining the amount of the rent charged for a dwelling unit, a local housing and management authority shall take into consideration the characteristics of the population served by the authority, the goals of the local housing management plan for the authority, and the goals under the comprehensive housing affordability strat-

egy under section 105 of the Cranston-Gonzalez National Affordable Housing Act (or any consolidated plan incorporating such strategy) for the applicable jurisdiction.

(b) ALLOWABLE RENTS.—

(1) MINIMUM RENTAL.—Each local housing and management authority shall establish, for each dwelling unit in public housing owned or administered by the authority, a minimum monthly rental contribution, which—

(A) may not be less than $25;

(B) shall include any portion of the cost of utilities for the unit for which the resident is responsible; and

(C) may be increased annually by the authority, except that no such annual increase may exceed 10 percent of the amount of the minimum monthly rental contribution in effect for the preceding year.

(2) MAXIMUM RENTAL.—Each local housing and management authority may establish, for each dwelling unit in public housing owned or administered by the authority, a maximum monthly rental amount, which shall be an amount determined by the authority which is based on, but does not exceed—

(A) the average, for dwelling units of similar size in public housing developments owned and operated by such authority, of operating expenses attributable to such units;

(B) the reasonable rental value of the unit; or

(C) the local market rent for comparable units of similar size.

(c) INCOME REVIEWS.—If a local housing and management authority establishes the amount of rent paid by a family for a public housing dwelling unit based on the adjusted income of the family, the authority shall review the incomes of such family occupying dwelling units in public housing owned or administered by the authority not less than annually.

(d) REVIEW OF MAXIMUM AND MINIMUM RENTS.—

(1) RENTAL CHARGES.—If the Secretary determines, at any time, that a significant percentage of the public housing dwelling units owned or operated by a large local housing and management authority are occupied by households paying more than 30 percent of their adjusted incomes for rent, the Secretary shall review the maximum and minimum monthly rental amounts established by the authority.

(2) POPULATION SERVED.—If the Secretary determines, at any time, that less than 40 percent of the public housing dwelling units owned or operated by a large local housing and management authority are occupied by households whose incomes do not exceed 30 percent of the area median income, the Secretary shall review the maximum and minimum monthly rental amounts established by the authority.

(3) MODIFICATION OF MAXIMUM AND MINIMUM RENTAL AMOUNTS.—If, pursuant to review under this subsection, the Secretary determines that the maximum and minimum rental amounts for a large local housing and management authority are not appropriate to serve the needs of the low-income population of the jurisdiction served by the authority (taking into consideration the financial resources and costs of the authority), as identified in the approved local housing management plan of the authority, the Secretary may require the authority to modify the maximum and minimum monthly rental amounts.

(4) LARGE LHMA.—For purposes of this subsection, the term "large local housing and management authority" means a local housing and management authority that owns or operates 1250 or more public housing dwelling units.

(e) PHASE-IN OF RENT CONTRIBUTION INCREASES.—

(1) IN GENERAL.—Except as provided in paragraph (2), for any family residing in a dwelling unit in public housing upon the date of the enactment of this Act, if the monthly contribution for rental of an assisted dwelling unit to be paid by the family upon initial applicability of this title is greater than the amount paid by the family under the provisions of the United States Housing Act of 1937 immediately before such applicability, any such resulting increase in rent contribution shall be—

(A) phased in equally over a period of not less than 3 years, if such increase is 30 percent or more of such contribution before initial applicability; and

(B) limited to not more than 10 percent per year if such increase is more than 10 percent but less than 30 percent of such contribution before initial applicability.

(2) EXCEPTION.—The minimum rent contribution requirement under subsection (b)(1)(A) shall apply to each family described in paragraph (1) of this subsection, notwithstanding such paragraph.

SEC. 226. LEASE REQUIREMENTS.

In renting dwelling units in a public housing development, each local housing and management authority shall utilize leases that—

(1) do not contain unreasonable terms and conditions;

(2) obligate the local housing and management authority to maintain the development in compliance with the housing quality requirements under section 232;

(3) require the local housing and management authority to give adequate written notice of termination of the lease, which shall not be less than—

(A) the period provided under the applicable law of the jurisdiction or 14 days, whichever is less, in the case of nonpayment of rent;

(B) a reasonable period of time, but not to exceed 14 days, when the health or safety of other residents or local housing and management authority employees is threatened; and

(C) the period of time provided under the applicable law of the jurisdiction, in any other case;

(4) require that the local housing and management authority may not terminate the tenancy except for violation of the terms or conditions of the lease, violation of applicable Federal, State, or local law, or for other good cause;

(5) provide that the local housing and management authority may terminate the tenancy of a public housing resident for any activity, engaged in by a public housing resident, any member of the resident's household, or any guest or other person under the resident's control, that—

(A) threatens the health or safety of, or right to peaceful enjoyment of the premises by, other residents or employees of the local housing and management authority or other manager of the housing;

(B) threatens the health or safety of, or right to peaceful enjoyment of their premises by, persons residing in the immediate vicinity of the premises; or

(C) is criminal activity (including drug-related criminal activity);

(6) provide that any occupancy in violation of the provisions of section 227(a)(4) shall be cause for termination of tenancy; and

(7) specify that, with respect to any notice of eviction or termination, notwithstanding any State law, a public housing resident shall be informed of the opportunity, prior to any hearing or trial, to examine any relevant documents, records or regulations directly related to the eviction or termination.

SEC. 227. DESIGNATED HOUSING FOR ELDERLY AND DISABLED FAMILIES.

(a) AUTHORITY TO PROVIDE DESIGNATED HOUSING.—

(1) IN GENERAL.—Notwithstanding any other provision of law, a local housing and management authority for which the information required under subsection (c) is in effect may provide public housing developments (or portions of developments) designated for occupancy by (A) only elderly families, (B) only disabled families, or (C) elderly and disabled families.

(2) PRIORITY FOR OCCUPANCY.—In determining priority for admission to public housing developments (or portions of developments) that are designated for occupancy as provided in paragraph (1), the local housing and management authority may make units in such developments (or portions) available only to the types of families for whom the development is designated.

(3) ELIGIBILITY OF NEAR-ELDERLY FAMILIES.—If a local housing and management authority determines that there are insufficient numbers of elderly families to fill all the units in a development (or portion of a development) designated under paragraph (1) for occupancy by only elderly families, the authority may provide that near-elderly families may occupy dwelling units in the development (or portion).

(4) LIMITATION ON OCCUPANCY IN DEVELOPMENTS FOR ELDERLY FAMILIES.—

(A) IN GENERAL.—Subject only to the provisions of subsection (b) and notwithstanding any other provision of law, a dwelling unit in a development (or portion of a development) that is designated under paragraph (1) for occupancy by only elderly families or by only elderly and disabled families shall not be occupied by any individual who is not an elderly person and—

(i) who currently illegally uses a controlled substance; or

(ii) whose history of illegal use of a controlled substance or use of alcohol, or current use of alcohol, provides reasonable cause for the local housing and management authority to believe that the occupancy by such individual may interfere with the health, safety, or right to peaceful enjoyment of the premises by other residents.

(B) CONSIDERATION OF REHABILITATION.—In determining whether, pursuant to subparagraph (A), to deny occupancy to any individual based on a history of use of a controlled substance or alcohol, a local housing and management authority may consider the factors under section 105(b).

(b) STANDARDS REGARDING EVICTIONS.—

(1) LIMITATION.—Except as provided in paragraph (2), any resident who is lawfully residing in a dwelling unit in a development designated for occupancy under subsection (a)(1) may not be evicted or otherwise required to vacate such unit because of the designation of the development (or portion of a development) or because of any action taken by the Secretary or any local housing and management authority to carry out this section.

(2) REQUIREMENT TO EVICT NONELDERLY TENANTS IN HOUSING DESIGNATED FOR ELDERLY FAMILIES WHO HAVE CURRENT DRUG OR ALCOHOL ABUSE PROBLEMS.—The local housing and management authority administering a development (or portion of a development) described in subsection (a)(4)(A) shall evict any individual who occupies a dwelling unit in such a development and who currently illegally uses a controlled substance or whose current use of alcohol provides a reasonable cause for the authority to believe that the occupancy by such individual may interfere with the health, safety, or right to peaceful enjoyment of the premises by other residents. This paragraph may not be construed to require a local housing and management authority to evict any other individual who occupies the same dwelling unit as the individual required to be evicted.

(c) REQUIRED INCLUSIONS IN LOCAL HOUSING MANAGEMENT PLAN.—

(1) IN GENERAL.—A local housing and management authority may designate a development (or portion of a development) for occupancy under subsection (a)(1) only if the authority, as part of the authority's local housing management plan—

(A) establishes that the designation of the development is necessary—

(i) to achieve the housing goals for the jurisdiction under the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act (or any consolidated plan incorporating such strategy); and

(ii) to meet the housing needs of the low-income population jurisdiction; and

(B) submits a description of—

(i) the development (or portion of a development) to be designated;

(ii) the types of residents for which the development is to be designated;

(iii) any services designed to meet the special needs of residents to be provided to residents of the designated development (or portion);

(iv) how the design and related facilities (as such term is defined in section 202(d)(8) of the Housing Act of 1959) of the development accommodate the special environmental needs of the intended occupants.

(2) 5-YEAR EFFECTIVENESS.—The information required under paragraph (1) shall be effective for purposes of designation of a public housing development (or portion thereof) under this section only for the 5-year period that begins upon notification under section 108(a) of the local housing and management authority that the information complies with the requirements under section 107 and this subsection. A local housing and management authority may extend the effectiveness of the designation and information for an additional 2-year period beginning upon the expiration of such period (or the expiration of any previous extension period under this sentence) by updating such information in the local housing management plan for the authority.

(3) TREATMENT OF EXISTING PLANS.—Notwithstanding any other provision of this section, a local housing and management authority shall be considered to have submitted the information required under this subsection if the authority has submitted to the Secretary an application and allocation plan under this section (as in effect before the date of the enactment of this Act) that have not been approved or disapproved before such date of enactment.

(4) SAVINGS PROVISION.—Any application and allocation plan approved under section 7 of the United States Housing Act of 1937 (as in effect before the date of the enactment of this Act) before such date of enactment shall be considered to be information required under this subsection that is in effect for purposes of this section for the 5-year period beginning upon such approval.

(d) RELOCATION ASSISTANCE.—A local housing and management authority that designates any existing development or building, or portion thereof, for occupancy

as provided under subsection (a) shall provide, to each person and family relocated in connection with such designation—

(1) notice of the designation and relocation, as soon as is practicable for the authority and the person or family;

(2) comparable housing (including appropriate services and design features), which may include rental assistance under title III, at a rental rate that is comparable to that applicable to the unit from which the person or family has vacated; and

(3) payment of actual, reasonable moving expenses.

(e) INAPPLICABILITY TO INDIAN HOUSING.—The provisions of this section shall not apply with respect to low-income housing developed or operated pursuant to a contract between the Secretary and an Indian housing authority.

Subtitle C—Management

SEC. 231. MANAGEMENT PROCEDURES.

(a) SOUND MANAGEMENT.—A local housing and management authority that receives grant amounts under this title shall establish and comply with procedures and practices sufficient to ensure that the public housing developments owned or administered by the authority are operated in a sound manner.

(b) MANAGEMENT BY OTHER ENTITIES.—Except as otherwise provided under this Act, a local housing and management authority may contract with any other entity to perform any of the management functions for public housing owned or operated by the local housing and management authority.

SEC. 232. HOUSING QUALITY REQUIREMENTS.

(a) IN GENERAL.—Each local housing and management authority that receives grant amounts under this Act shall maintain its public housing in a condition that complies—

(1) in the case of public housing located in a jurisdiction which has in effect laws, regulations, standards, or codes regarding habitability of residential dwellings that provide protection to residents of the dwellings that is equal to or greater than the protection provided under the housing quality standards established under subsection (b), with such applicable laws, regulations, standards, or codes; or

(2) in the case of public housing located in a jurisdiction which does not have in effect laws, regulations, standards, or codes described in subparagraph (A), with the housing quality standards established under subsection (b).

(b) FEDERAL HOUSING QUALITY STANDARDS.—The Secretary shall establish housing quality standards under this subsection that ensure that public housing dwelling units are safe, clean, and healthy. Such standards shall include requirements relating to habitability, including maintenance, health and sanitation factors, condition, and construction of dwellings, and shall, to the greatest extent practicable, be consistent with the standards established under section 328(b). The Secretary shall differentiate between major and minor violations of such standards.

(c) DETERMINATIONS.—Each local housing and management authority providing housing assistance shall identify, in the local housing management plan of the authority, whether the authority is utilizing the standard under paragraph (1) or (2) of subsection (a) and, if the authority utilizes the standard under paragraph (1), shall certify in such plan that the applicable State or local laws, regulations, standards, or codes comply with the requirements under such paragraph.

(d) ANNUAL INSPECTIONS.—Each local housing and management authority that owns or operates public housing shall make an annual inspection of each public housing development to determine whether units in the development are maintained in accordance with the requirements under subsection (a). The authority shall submit the results of such inspections to the Secretary and the Inspector General for the Department of Housing and Urban Development and such results shall be available to the Housing Foundation and Accreditation Board established under title IV and any auditor conducting an audit under section 432.

SEC. 233. EMPLOYMENT OF RESIDENTS.

A local housing and management authority may employ public housing residents in any activities engaged in by the authority. The Secretary shall require local housing and management authorities, in using grant amounts provided under this title, to make their best efforts to enter into agreements with contractors and subcontractors of the authority to provide residents of public housing with employment opportunities, job training, and internships.

SEC. 234. RESIDENT COUNCILS AND RESIDENT MANAGEMENT CORPORATIONS.

(a) RESIDENT COUNCILS.—The residents of a public housing development may establish a resident council for the development for purposes of consideration of issues relating to residents, representation of resident interests, and coordination and consultation with a local housing and management authority. A resident council shall be an organization or association that—

(1) is nonprofit in character;

(2) is representative of the residents of the eligible housing;

(3) adopts written procedures providing for the election of officers on a regular basis; and

(4) has a democratically elected governing board, which is elected by the residents of the eligible housing.

(b) RESIDENT MANAGEMENT CORPORATIONS.—

(1) ESTABLISHMENT.—The residents of a public housing development may establish a resident management corporation for the purpose of assuming the responsibility for the management of the development under section 235 or purchasing a development.

(2) REQUIREMENTS.—A resident management corporation shall be a corporation that—

(A) is nonprofit in character;

(B) is organized under the laws of the State in which the development is located;

(C) has as its sole voting members the residents of the development; and

(D) is established by the resident council for the development or, if there is not a resident council, by a majority of the households of the development.

SEC. 235. MANAGEMENT BY RESIDENT MANAGEMENT CORPORATION.

(a) AUTHORITY.—A local housing and management authority may enter into a contract under this section with a resident management corporation to provide for the management of public housing developments by the corporation.

(b) CONTRACT.—A contract under this section for management of public housing developments by a resident management corporation shall establish the respective management rights and responsibilities of the corporation and the local housing and management authority. The contract shall be consistent with the requirements of this Act applicable to public housing development and may include specific terms governing management personnel and compensation, access to public housing records, submission of and adherence to budgets, rent collection procedures, resident income verification, resident eligibility determinations, resident eviction, the acquisition of supplies and materials and such other matters as may be appropriate. The contract shall be treated as a contracting out of services.

(c) BONDING AND INSURANCE.—Before assuming any management responsibility for a public housing development, the resident management corporation shall provide fidelity bonding and insurance, or equivalent protection. Such bonding and insurance, or its equivalent, shall be adequate to protect the Secretary and the local housing and management authority against loss, theft, embezzlement, or fraudulent acts on the part of the resident management corporation or its employees.

(d) BLOCK GRANT ASSISTANCE AND INCOME.—A contract under this section shall provide for—

(1) the local housing and management authority to provide a portion of the block grant assistance under this title to the resident management corporation for purposes of operating the public housing development covered by the contract and performing such other eligible activities with respect to the development as may be provided under the contract;

(2) the amount of income expected to be derived from the development itself (from sources such as rents and charges);

(3) the amount of income to be provided to the development from the other sources of income of the local housing and management authority (such as interest income, administrative fees, and rents); and

(4) any income generated by a resident management corporation of a public housing development that exceeds the income estimated under the contract shall be used for eligible activities under section 203(a).

(e) CALCULATION OF TOTAL INCOME.—

(1) MAINTENANCE OF SUPPORT.—Subject to paragraph (2), the amount of assistance provided by a local housing and management authority to a public housing development managed by a resident management corporation may not be reduced during the 3-year period beginning on the date on which the resident management corporation is first established for the development.

(2) REDUCTIONS AND INCREASES IN SUPPORT.—If the total income of a local housing and management authority is reduced or increased, the income provided by the local housing and management authority to a public housing development managed by a resident management corporation shall be reduced or increased in proportion to the reduction or increase in the total income of the authority, except that any reduction in block grant amounts under this title to the authority that occurs as a result of fraud, waste, or mismanagement by the authority shall not affect the amount provided to the resident management corporation.

SEC. 236. TRANSFER OF MANAGEMENT OF CERTAIN HOUSING TO INDEPENDENT MANAGER AT REQUEST OF RESIDENTS.

(a) AUTHORITY.—The Secretary may transfer the responsibility and authority for management of specified housing (as such term is defined in subsection (h)) from a local housing and management authority to an eligible management entity, in accordance with the requirements of this section, if—

(1) such housing is owned or operated by a local housing and management authority that is—

(A) not accredited under section 433 by the Housing Foundation and Accreditation Board; or

(B) is designated as a troubled authority under section 431(a)(2); and

(2) the Secretary determines that—

(A) such housing has deferred maintenance, physical deterioration, or obsolescence of major systems and other deficiencies in the physical plant of the project;

(B) such housing is occupied predominantly by families with children who are in a severe state of distress, characterized by such factors as high rates of unemployment, teenage pregnancy, single-parent households, long-term dependency on public assistance and minimal educational achievement;

(C) such housing is located in an area such that the housing is subject to recurrent vandalism and criminal activity (including drug-related criminal activity); and

(D) the residents can demonstrate that the elements of distress for such housing specified in subparagraphs (A) through (C) can be remedied by an entity that has a demonstrated capacity to manage, with reasonable expenses for modernization.

Such a transfer may be made only as provided in this section, pursuant to the approval by the Secretary of a request for the transfer made by a majority vote of the residents for the specified housing, after consultation with the local housing and management authority for the specified housing.

(b) BLOCK GRANT ASSISTANCE.—Pursuant to a contract under subsection (c), the Secretary shall require the local housing and management authority for specified housing to provide to the manager for the housing, from any block grant amounts under this title for the authority, fair and reasonable amounts for operating costs for the housing. The amount made available under this subsection to a manager shall be determined by the Secretary based on the share for the specified housing of the total block grant amounts for the local housing and management authority transferring the housing, taking into consideration the operating and capital improvement needs of the specified housing, the operating and capital improvement needs of the remaining public housing units managed by the local housing and management authority, and the local housing management plan of such authority.

(c) CONTRACT BETWEEN SECRETARY AND MANAGER.—

(1) REQUIREMENTS.—Pursuant to the approval of a request under this section for transfer of the management of specified housing, the Secretary shall enter into a contract with the eligible management entity.

(2) TERMS.— A contract under this subsection shall contain provisions establishing the rights and responsibilities of the manager with respect to the specified housing and the Secretary and shall be consistent with the requirements of this Act applicable to public housing developments.

(d) COMPLIANCE WITH LOCAL HOUSING MANAGEMENT PLAN.—A manager of specified housing under this section shall comply with the approved local housing management plan applicable to the housing and shall submit such information to the local housing and management authority from which management was transferred as may be necessary for such authority to prepare and update its local housing management plan.

(e) DEMOLITION AND DISPOSITION BY MANAGER.—A manager under this section may demolish or dispose of specified housing only if, and in the manner, provided

for in the local housing management plan for the authority transferring management of the housing.

(f) LIMITATION ON LHMA LIABILITY.—A local housing and management authority that is not a manager for specified housing shall not be liable for any act or failure to act by a manager or resident council for the specified housing.

(g) TREATMENT OF MANAGER.—To the extent not inconsistent with this section and to the extent the Secretary determines not inconsistent with the purposes of this Act, a manager of specified housing under this section shall be considered to be a local housing and management authority for purposes of this title.

(h) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

(1) ELIGIBLE MANAGEMENT ENTITY.—The term "eligible management entity" means, with respect to any public housing development, any of the following entities that has been accredited in accordance with section 433:

(A) NONPROFIT ORGANIZATION.—A public or private nonprofit organization, which shall—

(i) include a resident management corporation or resident management organization and, as determined by the Secretary, a public or private nonprofit organization sponsored by the local housing and management authority that owns the development; and

(ii) not include the local housing and management authority that owns the development.

(B) FOR-PROFIT ENTITY.—A for-profit entity that has demonstrated experience in providing low-income housing.

(C) STATE OR LOCAL GOVERNMENT.—A State or local government, including an agency or instrumentality thereof.

(D) LOCAL HOUSING AND MANAGEMENT AUTHORITY.—A local housing and management authority (other than the local housing and management authority that owns the development).

The term does not include a resident council.

(2) MANAGER.—The term "manager" means any eligible management entity that has entered into a contract under this section with the Secretary for the management of specified housing.

(3) NONPROFIT.—The term "nonprofit" means, with respect to an organization, association, corporation, or other entity, that no part of the net earnings of the entity inures to the benefit of any member, founder, contributor, or individual.

(4) PRIVATE NONPROFIT ORGANIZATION.—The term "private nonprofit organization" means any private organization (including a State or locally chartered organization) that—

(A) is incorporated under State or local law;

(B) is nonprofit in character;

(C) complies with standards of financial accountability acceptable to the Secretary; and

(D) has among its purposes significant activities related to the provision of decent housing that is affordable to low-income families.

(5) LOCAL HOUSING AND MANAGEMENT AUTHORITY.—The term "local housing and management authority" has the meaning given such term in section 103(a), except that it does not include Indian housing authorities.

(6) PUBLIC NONPROFIT ORGANIZATION.—The term "public nonprofit organization" means any public entity that is nonprofit in character.

(7) SPECIFIED HOUSING.—The term "specified housing" means a public housing development or developments, or a portion of a development or developments, for which the transfer of management is requested under this section. The term includes one or more contiguous buildings and an area of contiguous row houses, but in the case of a single building, the building shall be sufficiently separable from the remainder of the development of which it is part to make transfer of the management of the building feasible for purposes of this section.

SEC. 237. RESIDENT OPPORTUNITY PROGRAM.

(a) PURPOSE.—The purpose of this section is to encourage increased resident management of public housing developments, as a means of improving existing living conditions in public housing developments, by providing increased flexibility for public housing developments that are managed by residents by—

(1) permitting the retention, and use for certain purposes, of any revenues exceeding operating and project costs; and

(2) providing funding, from amounts otherwise available, for technical assistance to promote formation and development of resident management entities.

For purposes of this section, the term "public housing development" includes one or more contiguous buildings or an area of contiguous row houses the elected resident councils of which approve the establishment of a resident management corporation and otherwise meet the requirements of this section.

(b) PROGRAM REQUIREMENTS.—

(1) RESIDENT COUNCIL.—As a condition of entering into a resident opportunity program, the elected resident council of a public housing development shall approve the establishment of a resident management corporation that complies with the requirements of section 234(b)(2). When such approval is made by the elected resident council of a building or row house area, the resident opportunity program shall not interfere with the rights of other families residing in the development or harm the efficient operation of the development. The resident management corporation and the resident council may be the same organization, if the organization complies with the requirements applicable to both the corporation and council.

(2) PUBLIC HOUSING MANAGEMENT SPECIALIST.—The resident council of a public housing development, in cooperation with the local housing and management authority, shall select a qualified public housing management specialist to assist in determining the feasibility of, and to help establish, a resident management corporation and to provide training and other duties agreed to in the daily operations of the development.

(3) MANAGEMENT RESPONSIBILITIES.—A resident management corporation that qualifies under this section, and that supplies insurance and bonding or equivalent protection sufficient to the Secretary and the local housing and management authority, shall enter into a contract with the authority establishing the respective management rights and responsibilities of the corporation and the authority. The contract shall be treated as a contracting out of services and shall be subject to the requirements under section 234 for such contracts.

(4) ANNUAL AUDIT.—The books and records of a resident management corporation operating a public housing development shall be audited annually by a certified public accountant. A written report of each such audit shall be forwarded to the local housing and management authority and the Secretary.

(c) COMPREHENSIVE IMPROVEMENT ASSISTANCE.—Public housing developments managed by resident management corporations may be provided with modernization assistance from grant amounts under this title for purposes of renovating such developments. If such renovation activities (including the planning and architectural design of the rehabilitation) are administered by a resident management corporation, the local housing and management authority involved may not retain, for any administrative or other reason, any portion of the assistance provided pursuant to this subsection unless otherwise provided by contract.

(d) WAIVER OF FEDERAL REQUIREMENTS.—

(1) WAIVER OF REGULATORY REQUIREMENTS.—Upon the request of any resident management corporation and local housing and management authority, and after notice and an opportunity to comment is afforded to the affected residents, the Secretary may waive (for both the resident management corporation and the local housing and management authority) any requirement established by the Secretary (and not specified in any statute) that the Secretary determines to unnecessarily increase the costs or restrict the income of a public housing development.

(2) WAIVER TO PERMIT EMPLOYMENT.—Upon the request of any resident management corporation, the Secretary may, subject to applicable collective bargaining agreements, permit residents of such development to volunteer a portion of their labor.

(3) EXCEPTIONS.—The Secretary may not waive under this subsection any requirement with respect to income eligibility for purposes of section 222, rental payments under section 225, tenant or applicant protections, employee organizing rights, or rights of employees under collective bargaining agreements.

(e) OPERATING ASSISTANCE AND DEVELOPMENT INCOME.—

(1) CALCULATION OF OPERATING SUBSIDY.—Subject only to the exception provided in paragraph (3), the amount grant amounts received under this title by a local housing and management authority used for operating costs under section 203(a)(2) that is allocated to a public housing development managed by a resident management corporation shall not be less than per unit monthly amount of such assistance used by the local housing and management authority in the previous year, as determined on an individual development basis.

(2) CONTRACT REQUIREMENTS.—Any contract for management of a public housing development entered into by a local housing and management authority and a resident management corporation shall specify the amount of income ex-

pected to be derived from the development itself (from sources such as rents and charges) and the amount of income funds to be provided to the development from the other sources of income of the authority (such as operating assistance under section 203(a), interest income, administrative fees, and rents).

(f) RESIDENT MANAGEMENT TECHNICAL ASSISTANCE AND TRAINING.—

(1) FINANCIAL ASSISTANCE.—To the extent budget authority is available under this title, the Secretary shall provide financial assistance to resident management corporations or resident councils that obtain, by contract or otherwise, technical assistance for the development of resident management entities, including the formation of such entities, the development of the management capability of newly formed or existing entities, the identification of the social support needs of residents of public housing developments, and the securing of such support.

(2) LIMITATION ON ASSISTANCE.—The financial assistance provided under this subsection with respect to any public housing development may not exceed $100,000.

(3) PROHIBITION.—A resident management corporation or resident council may not, before the award to the corporation or council of a grant amount under this subsection, enter into any contract or other agreement with any entity to provide such entity with amounts from the grant for providing technical assistance or carrying out other activities eligible for assistance with amounts under this subsection. Any such agreement entered into in violation of this paragraph shall be void and unenforceable.

(4) FUNDING.—Of any amounts made available for financial assistance under this title, the Secretary may use to carry out this subsection $15,000,000 for fiscal year 1996.

(5) LIMITATION REGARDING ASSISTANCE UNDER HOPE GRANT PROGRAM.—The Secretary may not provide financial assistance under this subsection to any resident management corporation or resident council with respect to which assistance for the development or formation of such entity is provided under title III of the United States Housing Act of 1937 (as in effect before the date of the enactment of this Act).

(g) ASSESSMENT AND REPORT BY SECRETARY.—Not later than 3 years after the date of the enactment of the United States Housing Act of 1996, the Secretary shall—

(1) conduct an evaluation and assessment of resident management, and particularly of the effect of resident management on living conditions in public housing; and

(2) submit to the Congress a report setting forth the findings of the Secretary as a result of the evaluation and assessment and including any recommendations the Secretary determines to be appropriate.

(h) APPLICABILITY.—Any management contract between a local housing and management authority and a resident management corporation that is entered into after the date of the enactment of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 shall be subject to this section and any regulations issued to carry out this section.

Subtitle D—Homeownership

SEC. 251. RESIDENT HOMEOWNERSHIP PROGRAMS.

(a) IN GENERAL.—A local housing and management authority may carry out a homeownership program in accordance with this section and the local housing management plan of the authority to make public housing dwelling units, public housing developments, and other housing projects available for purchase by low-income families.

(b) PARTICIPATING UNITS.—A program under this section may cover any existing public housing dwelling units or projects, and may include other dwelling units and housing owned, operated, or assisted, or otherwise acquired for use under such program, by the local housing and management authority.

(c) ELIGIBLE PURCHASERS.—

(1) LOW-INCOME REQUIREMENT.—Only low-income families assisted by a local housing and management authority, other low-income families, and entities formed to facilitate such sales shall be eligible to purchase housing under a homeownership program under this section.

(2) OTHER REQUIREMENTS.—A local housing and management authority may establish other requirements or limitations for families to purchase housing

under a homeownership program under this section, including requirements or limitations regarding employment or participation in employment counseling or training activities, criminal activity, participation in homeownership counseling programs, evidence of regular income, and other requirements.

(d) FINANCING AND ASSISTANCE.—A homeownership program under this section may provide financing for acquisition of housing by families purchasing under the program or by the local housing and management authority for sale under this program in any manner considered appropriate by the authority (including sale to a resident management corporation).

(e) DOWNPAYMENT REQUIREMENT.—

(1) IN GENERAL.—Each family purchasing housing under a homeownership program under this section shall be required to provide from its own resources a downpayment in connection with any loan for acquisition of the housing, in an amount determined by the local housing and management authority. Except as provided in paragraph (2), the authority shall permit the family to use grant amounts, gifts from relatives, contributions from private sources, and similar amounts as downpayment amounts in such purchase,

(2) DIRECT FAMILY CONTRIBUTION.—In purchasing housing pursuant to this section, each family shall contribute an amount of the downpayment, from resources of the family other than grants, gifts, contributions, or other similar amounts referred to in paragraph (1), that is not less than 1 percent of the purchase price.

(f) OWNERSHIP INTERESTS.—A homeownership program under this section may provide for sale to the purchasing family of any ownership interest that the local housing and management authority considers appropriate under the program, including ownership in fee simple, a condominium interest, an interest in a limited dividend cooperative, a shared appreciation interest with a local housing and management authority providing financing.

(g) RESALE.—

(1) AUTHORITY AND LIMITATION.—A homeownership program under this section shall permit the resale of a dwelling unit purchased under the program by an eligible family, but shall provide such limitations on resale as the authority considers appropriate for the authority to recapture—

(A) from any economic gain derived from any such resale occurring during the 5-year period beginning upon purchase of the dwelling unit by the eligible family, a portion of the amount of any financial assistance provided under the program by the authority to the eligible family; and

(B) after the expiration of such 5-year period, only such amounts as are equivalent to the assistance provided under this section by the authority to the purchaser.

(2) CONSIDERATIONS.—The limitations referred to in paragraph (1) may provide for consideration of the aggregate amount of assistance provided under the program to the family, the contribution to equity provided by the purchasing eligible family, the period of time elapsed between purchase under the homeownership program and resale, the reason for resale, any improvements to the property made by the eligible family, any appreciation in the value of the property, and any other factors that the authority considers appropriate.

(h) INAPPLICABILITY OF DISPOSITION REQUIREMENTS.—The provisions of section 261 shall not apply to disposition of public housing dwelling units under a homeownership program under this section, except that any dwelling units sold under such a program shall be treated as public housing dwelling units for purposes of subsections (e) and (f) of section 261.

Subtitle E—Disposition, Demolition, and Revitalization of Developments

SEC. 261. REQUIREMENTS FOR DEMOLITION AND DISPOSITION OF DEVELOPMENTS.

(a) AUTHORITY AND FLEXIBILITY.—A local housing and management authority may demolish, dispose of, or demolish and dispose of nonviable or nonmarketable public housing developments of the authority in accordance with this section.

(b) LOCAL HOUSING MANAGEMENT PLAN REQUIREMENT.—A local housing and management authority may take any action to demolish or dispose of a public housing development (or a portion of a development) only if such demolition or disposition complies with the provisions of this section and is in accordance with the local housing management plan for the authority.

(c) PURPOSE OF DEMOLITION OR DISPOSITION.—A local housing and management authority may demolish or dispose of a public housing development (or portion of a development) only if the authority provides sufficient evidence to the Secretary that—

(1) the development (or portion thereof) is severely distressed or obsolete;

(2) the development (or portion thereof) is in a location making it unsuitable for housing purposes;

(3) the development (or portion thereof) has design or construction deficiencies that make cost-effective rehabilitation infeasible;

(4) assuming that reasonable rehabilitation and management intervention for the development has been completed and paid for, the anticipated revenue that would be derived from charging market-based rents for units in the development (or portion thereof) would not cover the anticipated operating costs and replacement reserves of the development (or portion) at full occupancy and the development (or portion) would constitute a substantial burden on the resources of the local housing and management authority;

(5) retention of the development (or portion thereof) is not in the best interests of the residents of the local housing and management authority because—

(A) developmental changes in the area surrounding the development adversely affect the health or safety of the residents or the feasible operation of the development by the local housing and management authority;

(B) demolition or disposition will allow the acquisition, development, or rehabilitation of other properties which will be more efficiently or effectively operated as low-income housing; or

(C) other factors exist that the authority determines are consistent with the best interests of the residents and the authority and not inconsistent with other provisions of this Act;

(6) in the case only of demolition or disposition of a portion of a development, the demolition or disposition will help to ensure the remaining useful life of the remainder of the development; or

(7) in the case only of property other than dwelling units—

(A) the property is excess to the needs of a development; or

(B) the demolition or disposition is incidental to, or does not interfere with, continued operation of a development.

(d) CONSULTATION.—A local housing and management authority may demolish or dispose of a public housing development (or portion of a development) only if the authority notifies and confers regarding the demolition or disposition with—

(1) the residents of the development (or portion); and

(2) appropriate local government officials.

(e) USE OF PROCEEDS.—Any net proceeds from the disposition of a public housing development (or portion of a development) shall be used for—

(1) housing assistance for low-income families that is consistent with the low-income housing needs of the community, through acquisition, development, or rehabilitation of, or homeownership programs for, other low-income housing or the provision of choice-based assistance under title III for such families;

(2) supportive services relating to job training or child care for residents of a development or developments; or

(3) leveraging amounts for securing commercial enterprises, on-site in public housing developments of the local housing and management authority, appropriate to serve the needs of the residents.

(f) RELOCATION.—A local housing and management authority that demolishes or disposes of a public housing development (or portion of a development thereof) shall ensure that—

(1) each family that is a resident of the development (or portion) that is demolished or disposed of is relocated to other safe, clean, healthy, and affordable housing, which is, to the maximum extent practicable, housing of the family's choice or is provided with choice-based assistance under title III;

(2) the local housing and management authority does not take any action to dispose of any unit until any resident to be displaced is relocated in accordance with paragraph (1); and

(3) each resident family to be displaced is paid relocation expenses, and the rent to be paid initially by the resident following relocation does not exceed the amount permitted under section 225(a).

(g) RIGHT OF FIRST REFUSAL FOR RESIDENT ORGANIZATIONS AND RESIDENT MANAGEMENT CORPORATIONS.—

(1) IN GENERAL.—A local housing and management authority may not dispose of a public housing development (or portion of a development) unless the authority has, before such disposition, offered to sell the property, as provided in

this subsection, to each resident organization and resident management corporation operating at the development for continued use as low-income housing, and no such organization or corporation purchases the property pursuant to such offer. A resident organization may act, for purposes of this subsection, through an entity formed to facilitate homeownership under subtitle D.

(2) TIMING.—Disposition of a development (or portion thereof) under this section may not take place—

(A) before the expiration of the period during which any such organization or corporation may notify the authority of interest in purchasing the property, which shall be the 30-day period beginning on the date that the authority first provides notice of the proposed disposition of the property to such resident organizations and resident management corporations;

(B) if an organization or corporation submits notice of interest in accordance with subparagraph (A), before the expiration of the period during which such organization or corporation may obtain a commitment for financing to purchase the property, which shall be the 60-day period beginning upon the submission to the authority of the notice of interest; or

(C) if, during the period under subparagraph (B), an organization or corporation obtains such financing commitment and makes a bona fide offer to the authority to purchase the property for a price equal to or exceeding the applicable offer price under paragraph (3).

The authority shall sell the property pursuant to any purchase offer described in subparagraph (C).

(3) TERMS OF OFFER.—An offer by a local housing and management authority to sell a property in accordance with this subsection shall involve a purchase price that reflects the market value of the property, the reason for the sale, the impact of the sale on the surrounding community, and any other factors that the authority considers appropriate.

(h) INFORMATION FOR LOCAL HOUSING MANAGEMENT PLAN.—A local housing and management authority may demolish or dispose of a public housing development (or portion thereof) only if it includes in the applicable local housing management plan information sufficient to describe—

(1) the housing to be demolished or disposed of;

(2) the purpose of the demolition or disposition under subsection (c) and why the demolition or disposition complies with the requirements under subsection (c);

(3) how the consultations required under subsection (d) will be made;

(4) how the net proceeds of the disposition will be used in accordance with subsection (e);

(5) how the authority will relocate residents, if necessary, as required under subsection (f); and

(6) that the authority has offered the property for acquisition by resident organizations and resident management corporations in accordance with subsection (g).

(i) SITE AND NEIGHBORHOOD STANDARDS EXEMPTION.—Notwithstanding any other provision of law, a local housing and management authority may provide for development of public housing dwelling units on the same site or in the same neighborhood as any dwelling units demolished, pursuant to a plan under this section, but only if such development provides for significantly fewer dwelling units.

(j) TREATMENT OF REPLACEMENT UNITS.—In connection with any demolition or disposition of public housing under this section, a local housing and management authority may provide for other housing assistance for low-income families that is consistent with the low-income housing needs of the community, including—

(1) the provision of choice-based assistance under title III; and

(2) the development, acquisition, or lease by the authority of dwelling units, which dwelling units shall—

(A) be eligible to receive assistance with grant amounts provided under this title; and

(B) be made available for occupancy, operated, and managed in the manner required for public housing, and subject to the other requirements applicable to public housing dwelling units.

(k) PERMISSIBLE RELOCATION WITHOUT PLAN.—If a local housing and management authority determines that public housing dwelling units are not clean, safe, and healthy or cannot be maintained cost-effectively in a clean, safe, and healthy condition, the local housing and management authority may relocate residents of such dwelling units before the submission of a local housing management plan providing for demolition or disposition of such units.

(l) CONSOLIDATION OF OCCUPANCY WITHIN OR AMONG BUILDINGS.—Nothing in this section may be construed to prevent a local housing and management authority from consolidating occupancy within or among buildings of a public housing development, or among developments, or with other housing for the purpose of improving living conditions of, or providing more efficient services to, residents.

(m) DE MINIMIS EXCEPTION TO DEMOLITION REQUIREMENTS.—Notwithstanding any other provision of this section, in any 5-year period a local housing and management authority may demolish not more than the lesser of 5 dwelling units or 5 percent of the total dwelling units owned and operated by the local housing and management authority, without providing for such demolition in a local housing management plan, but only if the space occupied by the demolished unit is used for meeting the service or other needs of public housing residents or the demolished unit was beyond repair.

SEC. 262. DEMOLITION, SITE REVITALIZATION, REPLACEMENT HOUSING, AND CHOICE-BASED ASSISTANCE GRANTS FOR DEVELOPMENTS.

(a) PURPOSES.—The purpose of this section is to provide assistance to local housing and management authorities for the purposes of—

(1) reducing the density and improving the living environment for public housing residents of severely distressed public housing developments through the demolition of obsolete public housing developments (or portions thereof);

(2) revitalizing sites (including remaining public housing dwelling units) on which such public housing developments are located and contributing to the improvement of the surrounding neighborhood; and

(3) providing housing that will avoid or decrease the concentration of very low-income families; and

(4) providing choice-based assistance in accordance with title III for the purpose of providing replacement housing and assisting residents to be displaced by the demolition.

(b) GRANT AUTHORITY.—The Secretary may make grants available to local housing and management authorities as provided in this section.

(c) CONTRIBUTION REQUIREMENT.—The Secretary may not make any grant under this section to any applicant unless the applicant certifies to the Secretary that the applicant will supplement the amount of assistance provided under this section with an amount of funds from sources other than this section equal to not less than 5 percent of the amount provided under this section, including amounts from other Federal sources, any State or local government sources, any private contributions, and the value of any in-kind services or administrative costs provided.

(d) ELIGIBLE ACTIVITIES.—Grants under this section may be used for activities to carry out revitalization programs for severely distressed public housing, including—

(1) architectural and engineering work, including the redesign, reconstruction, or redevelopment of a severely distressed public housing development, including the site on which the development is located;

(2) the demolition, sale, or lease of the site, in whole or in part;

(3) covering the administrative costs of the applicant, which may not exceed such portion of the assistance provided under this section as the Secretary may prescribe;

(4) payment of reasonable legal fees;

(5) providing reasonable moving expenses for residents displaced as a result of the revitalization of the development;

(6) economic development activities that promote the economic self-sufficiency of residents under the revitalization program;

(7) necessary management improvements;

(8) leveraging other resources, including additional housing resources, retail supportive services, jobs, and other economic development uses on or near the development that will benefit future residents of the site;

(9) replacement housing and housing assistance under title III;

(10) transitional security activities; and

(11) necessary supportive services, except that not more than 10 percent of the amount of any grant may be used for activities under this paragraph.

(e) APPLICATION AND SELECTION.—

(1) APPLICATION.—An application for a grant under this section shall contain such information and shall be submitted at such time and in accordance with such procedures, as the Secretary shall prescribe.

(2) SELECTION CRITERIA.—The Secretary shall establish selection criteria for the award of grants under this section, which shall include—

(A) the relationship of the grant to the local housing management plan for the local housing and management authority and how the grant will re-

sult in a revitalized site that will enhance the neighborhood in which the development is located;

(B) the capability and record of the applicant local housing and management authority, or any alternative management agency for the authority, for managing large-scale redevelopment or modernization projects, meeting construction timetables, and obligating amounts in a timely manner;

(C) the extent to which the local housing and management authority could undertake such activities without a grant under this section;

(D) the extent of involvement of residents, State and local governments, private service providers, financing entities, and developers, in the development of a revitalization program for the development;

(E) the amount of funds and other resources to be leveraged by the grant; and

(F) whether the applicant local housing and management authority has been awarded a planning grant under section 24(c) of the United States Housing Act of 1937 (as in effect immediately before the date of the enactment of this Act).

(f) COST LIMITS.—Subject to the provisions of this section, the Secretary—

(1) shall establish cost limits on eligible activities under this section sufficient to provide for effective revitalization programs; and

(2) may establish other cost limits on eligible activities under this section.

(h) DEMOLITION AND REPLACEMENT.—Any severely distressed public housing demolished or disposed of pursuant to a revitalization plan and any public housing produced in lieu of such severely distressed housing, shall be subject to the provisions of section 261.

(i) ADMINISTRATION BY OTHER ENTITIES.—The Secretary may require a grantee under this section to make arrangements satisfactory to the Secretary for use of an entity other than the local housing and management authority to carry out activities assisted under the revitalization plan, if the Secretary determines that such action will help to effectuate the purposes of this section.

(j) WITHDRAWAL OF FUNDING.—If a grantee under this section does not proceed expeditiously, in the determination of the Secretary, the Secretary shall withdraw any grant amounts under this section that have not been obligated by the local housing and management authority. The Secretary shall redistribute any withdrawn amounts to one or more local housing and management authorities eligible for assistance under this section.

(k) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

(1) APPLICANT.—The term "applicant" means—

(A) any local housing and management authority that is not designated as troubled pursuant to section 431(a)(2)(D);

(B) any local housing and management authority or private housing management agent selected, or receiver appointed pursuant, to section 438; and

(C) any local housing and management authority that is designated as troubled pursuant to section 431(a)(2)(D) that—

(i) is so designated principally for reasons that will not affect the capacity of the authority to carry out a revitalization program;

(ii) is making substantial progress toward eliminating the deficiencies of the authority; or

(iii) is otherwise determined by the Secretary to be capable of carrying out a revitalization program.

(2) PRIVATE NONPROFIT CORPORATION.—The term "private nonprofit organization" means any private nonprofit organization (including a State or locally chartered nonprofit organization) that—

(A) is incorporated under State or local law;

(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;

(C) complies with standards of financial accountability acceptable to the Secretary; and

(D) has among its purposes significant activities related to the provision of decent housing that is affordable to very low-income families.

(3) SEVERELY DISTRESSED PUBLIC HOUSING.—The term "severely distressed public housing" means a public housing development (or building in a development)—

(A) that requires major redesign, reconstruction or redevelopment, or partial or total demolition, to correct serious deficiencies in the original design (including inappropriately high population density), deferred maintenance,

physical deterioration or obsolescence of major systems and other deficiencies in the physical plant of the development;

(B) is a significant contributing factor to the physical decline of and disinvestment by public and private entities in the surrounding neighborhood;

(C)(i) is occupied predominantly by families who are very low-income families with children, are unemployed, and dependent on various forms of public assistance; and

(ii) has high rates of vandalism and criminal activity (including drug-related criminal activity) in comparison to other housing in the area;

(D) cannot be revitalized through assistance under other programs, such as the public housing block grant program under this title, or the programs under sections 9 and 14 of the United States Housing Act of 1937 (as in effect before the date of the enactment of this Act), because of cost constraints and inadequacy of available amounts; and

(E) in the case of individual buildings, the building is, in the Secretary's determination, sufficiently separable from the remainder of the development of which the building is part to make use of the building feasible for purposes of this section.

(4) SUPPORTIVE SERVICES.—The term "supportive services" includes all activities that will promote upward mobility, self-sufficiency, and improved quality of life for the residents of the public housing development involved, including literacy training, job training, day care, and economic development activities.

(l) ANNUAL REPORT.—The Secretary shall submit to the Congress an annual report setting forth—

(1) the number, type, and cost of public housing units revitalized pursuant to this section;

(2) the status of developments identified as severely distressed public housing;

(3) the amount and type of financial assistance provided under and in conjunction with this section; and

(4) the recommendations of the Secretary for statutory and regulatory improvements to the program established by this section.

(m) FUNDING.—

(1) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for grants under this section such sums as may be necessary for fiscal year 1996.

(2) TECHNICAL ASSISTANCE.—Of the amount appropriated pursuant to paragraph (1) for any fiscal year, the Secretary may use not more than 0.50 percent for technical assistance. Such assistance may be provided directly or indirectly by grants, contracts, or cooperative agreements, and shall include training, and the cost of necessary travel for participants in such training, by or to officials of the Department of Housing and Urban Development, of local housing and management authorities, and of residents.

(n) SUNSET.—No assistance may be provided under this section after September 30, 1996.

Subtitle F—General Provisions

SEC. 271. CONVERSION TO BLOCK GRANT ASSISTANCE.

(a) SAVINGS PROVISIONS.—Any amounts made available to a public housing agency for assistance for public housing pursuant to the United States Housing Act of 1937 (or any other provision of law relating to assistance for public housing) under an appropriation for fiscal year 1996 or any previous fiscal year shall be subject to the provisions of such Act as in effect before the enactment of this Act, notwithstanding the repeals made by this Act, except to the extent the Secretary provides otherwise to provide for the conversion of public housing and public housing assistance to the system provided under this Act.

(b) MODIFICATIONS.—Notwithstanding any provision of this Act or any annual contributions contract or other agreement entered into by the Secretary and a public housing agency pursuant to the provisions of the United States Housing Act of 1937 (as in effect before the enactment of this Act), the Secretary and the agency may by mutual consent amend, supersede, modify any such agreement as appropriate to provide for assistance under this title, except that the Secretary and the agency may not consent to any such amendment, supersession, or modification that substantially alters any outstanding obligations requiring continued maintenance of the low-income character of any public housing development and any such amendment, supersession, or modification shall not be given effect.

SEC. 272. PAYMENT OF NON-FEDERAL SHARE.

Rental or use-value of buildings or facilities paid for, in whole or in part, from production, modernization, or operation costs financed under this title may be used as the non-Federal share required in connection with activities undertaken under Federal grant-in-aid programs which provide social, educational, employment, and other services to the residents in a project assisted under this title.

SEC. 273. DEFINITIONS.

For purposes of this title, the following definitions shall apply:

(1) ACQUISITION COST.—The term "acquisition cost" means the amount prudently expended by a local housing and management authority in acquiring property for a public housing development.

(2) DEVELOPMENT.—The terms "public housing development" and "development" mean—

(A) public housing; and

(B) the improvement of any such housing.

(3) ELIGIBLE LOCAL HOUSING AND MANAGEMENT AUTHORITY.—The term "eligible local housing and management authority" means, with respect to a fiscal year, a local housing and management authority that is eligible under section 202(b) for a grant under this title.

(4) GROUP HOME AND INDEPENDENT LIVING FACILITY.—The terms "group home" and "independent living facility" have the meanings given such terms in section 811(k) of the Cranston-Gonzalez National Affordable Housing Act.

(5) OPERATION.—The term "operation" means any or all undertakings appropriate for management, operation, services, maintenance, security (including the cost of security personnel), or financing in connection with a public housing development, including the financing of resident programs and services.

(6) PRODUCTION.—The term "production" means any or all undertakings necessary for planning, land acquisition, financing, demolition, construction, or equipment, in connection with the construction, acquisition, or rehabilitation of a property for use as a public housing development, including activity in connection with a public housing development that is confined to the reconstruction, remodeling, or repair of existing buildings.

(7) PRODUCTION COST.—The term "production cost" means the costs incurred by a local housing and management authority for production of public housing and the necessary financing for production (including the payment of carrying charges and acquisition costs).

(8) RESIDENT COUNCIL.—The term "resident council" means an organization or association that meets the requirements of section 234(a).

(9) RESIDENT MANAGEMENT CORPORATION.—The term "resident management corporation" means a corporation that meets the requirements of section 234(b).

(10) RESIDENT PROGRAM.—The term "resident programs and services" means programs and services for families residing in public housing developments. Such term includes (A) the development and maintenance of resident organizations which participate in the management of public housing developments, (B) the training of residents to manage and operate the public housing development and the utilization of their services in management and operation of the development, (C) counseling on household management, housekeeping, budgeting, money management, homeownership issues, child care, and similar matters, (D) advice regarding resources for job training and placement, education, welfare, health, and other community services, (E) services that are directly related to meeting resident needs and providing a wholesome living environment; and (F) referral to appropriate agencies in the community when necessary for the provision of such services. To the maximum extent available and appropriate, existing public and private agencies in the community shall be used for the provision of such services.

SEC. 274. AUTHORIZATION OF APPROPRIATIONS FOR BLOCK GRANTS.

There is authorized to be appropriated, for block grants under this title, $6,300,000,000 for each of fiscal years 1996, 1997, 1998, 1999, and 2000.

SEC. 275. AUTHORIZATION OF APPROPRIATIONS FOR OPERATION SAFE HOME.

There is authorized to be appropriated, for assistance for relocating residents of public housing under the operation safe home program of the Department of Housing and Urban Development (including assistance for costs of relocation and housing assistance under title III), $700,000 for each of fiscal years 1996, 1997, 1998, 1999, and 2000. The Secretary shall provide that families who are residing in public housing, who have been subject to domestic violence, and for whom provision of assistance is likely to reduce or eliminate the threat of subsequent violence to the mem-

bers of the family, shall be eligible for assistance under the operation safe home program.

TITLE III—CHOICE-BASED RENTAL HOUSING AND HOMEOWNERSHIP ASSISTANCE FOR LOW-INCOME FAMILIES

Subtitle A—Allocation

SEC. 301. AUTHORITY TO PROVIDE HOUSING ASSISTANCE AMOUNTS.

To the extent that amounts to carry out this title are made available, the Secretary may enter into contracts with local housing and management authorities for each fiscal year to provide housing assistance under this title.

SEC. 302. CONTRACTS WITH LHMA'S.

(a) CONDITION OF ASSISTANCE.—The Secretary may provide amounts under this title to a local housing and management authority for a fiscal year only if the Secretary has entered into a contract under this section with the local housing and management authority, under which the Secretary shall provide such authority with amounts (in the amount of the allocation for the authority determined pursuant to section 304) for housing assistance under this title for low-income families.

(b) USE FOR HOUSING ASSISTANCE.—A contract under this section shall require a local housing and management authority to use amounts provided under this title to provide housing assistance in any manner authorized under this title.

(c) ANNUAL OBLIGATION OF AUTHORITY.—A contract under this title shall provide amounts for housing assistance for 1 fiscal year covered by the contract.

(d) ENFORCEMENT OF HOUSING QUALITY REQUIREMENTS.—Each contract under this section shall require the local housing and management authority administering assistance provided under the contract—

(1) to ensure compliance, under each housing assistance payments contract entered into pursuant to the contract under this section, with the provisions of the housing assistance payments contract included pursuant to section 351(c)(4); and

(2) to establish procedures for assisted families to notify the authority of any noncompliance with such provisions.

SEC. 303. ELIGIBILITY OF LHMA'S FOR ASSISTANCE AMOUNTS.

The Secretary may provide amounts available for housing assistance under this title to a local housing and management authority only if—

(1) the authority has submitted a local housing management plan to the Secretary for such fiscal year and applied to the Secretary for such assistance;

(2) the plan has been determined to comply with the requirements under section 107 and the Secretary has not notified the authority that the plan fails to comply with such requirements;

(3) the authority is accredited under section 433 by the Housing Foundation and Accreditation Board;

(5) no member of the board of directors or other governing body of the authority, or the executive director, has been convicted of a felony; and

(6) the authority has not been disqualified for assistance pursuant to subtitle B of title IV.

SEC. 304. ALLOCATION OF AMOUNTS.

(a) FORMULA ALLOCATION.—

(1) IN GENERAL.—When amounts for assistance under this title are first made available for reservation, after reserving amounts in accordance with subsection (c) and section 109, the Secretary shall allocate such amounts, only among local housing and management authorities meeting the requirements under this title to receive such assistance, on the basis of a formula that is established in accordance with paragraph (2) and based upon appropriate criteria to reflect the needs of different States, areas, and communities, using the most recent data available from the Bureau of the Census of the Department of Commerce and the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act (or any consolidated plan incorporating such strategy) for the applicable jurisdiction. The Secretary may establish a minimum allocation amount, in which case only the local housing and management authorities that, pursuant to the formula, are provided an amount

equal to or greater than the minimum allocation amount, shall receive an allocation.

(2) REGULATIONS.—The formula under this subsection shall be established by regulation issued by the Secretary. Notwithstanding sections 563(a) and 565(a) of title 5, United States Code, any proposed regulation containing such formula shall be issued pursuant to a negotiated rulemaking procedure under subchapter of chapter 5 of such title and the Secretary shall establish a negotiated rulemaking committee for development of any such proposed regulations.

(b) ALLOCATION CONSIDERATIONS.—

(1) LIMITATION ON REALLOCATION FOR ANOTHER STATE.—Any amounts allocated for a State or areas or communities within a State that are not likely to be used within the fiscal year for which the amounts are provided shall not be reallocated for use in another State, unless the Secretary determines that other areas or communities within the same State (that are eligible for amounts under this title) cannot use the amounts within the same fiscal year.

(2) EFFECT OF RECEIPT OF TENANT-BASED ASSISTANCE FOR DISABLED FAMILIES.—The Secretary may not consider the receipt by a local housing and management authority of assistance under section 811(b)(1) of the Cranston-Gonzalez National Affordable Housing Act, or the amount received, in approving amounts under this title for the authority or in determining the amount of such assistance to be provided to the authority.

(3) EXEMPTION FROM FORMULA ALLOCATION.—The formula allocation requirements of subsection (a) shall not apply to any assistance under this title that is approved in appropriation Acts for uses that the Secretary determines are incapable of geographic allocation, including amendments of existing housing assistance payments contracts, renewal of such contracts, assistance to families that would otherwise lose assistance due to the decision of the project owner to prepay the project mortgage or not to renew the housing assistance payments contract, assistance to prevent displacement or to provide replacement housing in connection with the demolition or disposition of public and Indian housing, assistance for relocation from public housing, assistance in connection with protection of crime witnesses, assistance for conversion from leased housing contracts under section 23 of the United States Housing Act of 1937 (as in effect before the enactment of the Housing and Community Development Act of 1974), and assistance in support of the property disposition and loan management functions of the Secretary.

(c) SET-ASIDE FOR INDIAN HOUSING ASSISTANCE.—The Secretary shall allocate, in a manner determined by the Secretary, a portion of the amounts made available in each fiscal year for assistance under this title for assistance for Indian housing authorities.

(d) RECAPTURE OF AMOUNTS.—

(1) AUTHORITY.—In each fiscal year, from any budget authority made available for assistance under this title or section 8 of the United States Housing Act of 1937 (as in effect before the enactment of this Act) that is obligated to a local housing and management authority but remains unobligated by the authority upon the expiration of the 8-month period beginning upon the initial availability of such amounts for obligation by the authority, the Secretary may deobligate an amount, as determined by the Secretary, not exceeding 50 percent of such unobligated amount.

(2) USE.—The Secretary may reallocate and transfer any amounts deobligated under paragraph (1) only to local housing and management authorities in areas that the Secretary determines have received less funding than other areas, based on the relative needs of all areas.

SEC. 305. ADMINISTRATIVE FEES.

(a) FEE FOR ONGOING COSTS OF ADMINISTRATION.—

(1) IN GENERAL.—The Secretary shall establish fees for the costs of administering the choice-based housing assistance program under this title.

(2) FISCAL YEAR 1996.—

(A) CALCULATION.—For fiscal year 1996, the fee for each month for which a dwelling unit is covered by a contract for assistance under this title shall be—

(i) in the case of a local housing and management authority that, on an annual basis, is administering a program for not more than 600 dwelling units, 6.5 percent of the base amount; and

(ii) in the case of an authority that, on an annual basis, is administering a program for more than 600 dwelling units—

(I) for the first 600 units, 6.5 percent of the base amount; and

(II) for any additional dwelling units under the program, 6.0 percent of the base amount.

(B) BASE AMOUNT.—For purposes of this paragraph, the base amount shall be the higher of—

(i) the fair market rental established under section 8(c) of the United States Housing Act of 1937 (as in effect immediately before the date of the enactment of this Act) for fiscal year 1993 for a 2-bedroom existing rental dwelling unit in the market area of the authority, and

(ii) the amount that is the lesser of (I) such fair market rental for fiscal year 1994 or (II) 103.5 percent of the amount determined under clause (i),

adjusted based on changes in wage data or other objectively measurable data that reflect the costs of administering the program, as determined by the Secretary. The Secretary may require that the base amount be not less than a minimum amount and not more than a maximum amount.

(3) SUBSEQUENT FISCAL YEARS.—For subsequent fiscal years, the Secretary shall publish a notice in the Federal Register, for each geographic area, establishing the amount of the fee that would apply for local housing and management authorities administering the program, based on changes in wage data or other objectively measurable data that reflect the costs of administering the program, as determined by the Secretary.

(4) INCREASE.—The Secretary may increase the fee if necessary to reflect the higher costs of administering small programs and programs operating over large geographic areas.

(b) FEE FOR PRELIMINARY EXPENSES.—The Secretary shall also establish reasonable fees (as determined by the Secretary) for—

(1) the costs of preliminary expenses, in the amount of $500, for a local housing and management authority, but only in the first year that the authority administers a choice-based housing assistance program under this title, and only if, immediately before the date of the enactment of this Act, the authority was not administering a tenant-based rental assistance program under the United States Housing Act of 1937 (as in effect immediately before such date of enactment), in connection with its initial increment of assistance received;

(2) the costs incurred in assisting families who experience difficulty (as determined by the Secretary) in obtaining appropriate housing under the programs; and

(3) extraordinary costs approved by the Secretary.

(c) TRANSFER OF FEES IN CASES OF CONCURRENT GEOGRAPHICAL JURISDICTION.—

(1) IN GENERAL.—In each fiscal year, if any local housing and management authority provides tenant-based rental assistance under section 8 of the United States Housing Act of 1937 or housing assistance under this title on behalf of a family who uses such assistance for a dwelling unit that is located within the jurisdiction of such authority but is also within the jurisdiction of another local housing and management authority, the Secretary shall require the authority issuing such assistance to transfer the amount provided under paragraph (2) to the closest eligible authority that is approved to administer the program and is not designated as a troubled authority under section 431(a)(2)(D).

(2) ADMINISTRATIVE FEE.—The amount provided under this paragraph is, with respect to each such family described in subsection (a)—

(A) in the case of assistance under section 8 of the United States Housing Act of 1937, the amount received under section 8(q) of such Act that is attributable to the administrative fee under such section for such family for the portion of the fiscal year during which such family resides in the dwelling unit described in paragraph (1); and

(B) in the case of housing assistance under this title, an amount of the grant amounts received under this title that is equal to the administrative fee for a family established under section 305 for such fiscal year, as adjusted based on the portion of the fiscal year during which such family resides in the dwelling unit described in paragraph (1).

SEC. 306. AUTHORIZATIONS OF APPROPRIATIONS.

(a) IN GENERAL.—There is authorized to be appropriated for providing local housing and management authorities with housing assistance under this title, $1,861,668,000 for each of fiscal years 1996, 1997, 1998, 1999, and 2000.

(b) ASSISTANCE FOR DISABLED FAMILIES.—

(1) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated, for choice-based housing assistance under this title to be used in ac-

cordance with paragraph (2), $50,000,000 for fiscal year 1997, and such sums as may be necessary for each subsequent fiscal year.

(2) USE.—The Secretary shall provide amounts made available under paragraph (1) to local housing and management authorities only for use to provide housing assistance under this title for nonelderly disabled families (including such families relocating pursuant to designation of a public housing development under section 227 and other nonelderly disabled families who have applied to the authority for housing assistance under this title).

(3) ALLOCATION OF AMOUNTS.—The Secretary shall allocate and provide amounts made available under paragraph (1) to local housing and management authorities as the Secretary determines appropriate based on the relative levels of need among the authorities for assistance for families described in paragraph (1).

SEC. 307. CONVERSION OF SECTION 8 ASSISTANCE.

(a) IN GENERAL.—Any amounts made available to a local housing and management authority under a contract for annual contributions for assistance under section 8 of the United States Housing Act of 1937 (as in effect before the enactment of this Act) that have not been obligated for such assistance by such authority before such enactment shall be used to provide assistance under this title, except to the extent the Secretary determines such use is inconsistent with existing commitments.

(b) EXCEPTION.—Subsection (a) shall not apply to any amounts made available under a contract for housing constructed or substantially rehabilitated pursuant to section 8(b)(2) of the United States Housing Act of 1937, as in effect before October 1, 1983.

Subtitle B—Choice-Based Housing Assistance for Eligible Families

SEC. 321. ELIGIBLE FAMILIES AND PREFERENCES FOR ASSISTANCE.

(a) LOW-INCOME REQUIREMENT.—Housing assistance under this title may be provided only on behalf of a family that—

(1) at the time that such assistance is initially provided on behalf of the family, is determined by the local housing and management authority to be a low-income family; or

(2) qualifies to receive such assistance under any other provision of Federal law.

(b) REVIEWS OF FAMILY INCOMES.—

(1) IN GENERAL.—Reviews of family incomes for purposes of this title shall be subject to the provisions of section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 and shall be conducted upon the initial provision of housing assistance for the family and thereafter not less than annually.

(2) PROCEDURES.—Each local housing and management authority administering housing assistance under this title shall establish procedures that are appropriate and necessary to ensure that income data provided to the authority and owners by families applying for or receiving housing assistance from the authority is complete and accurate.

(c) PREFERENCES FOR ASSISTANCE.—

(1) AUTHORITY TO ESTABLISH.—Any local housing and management authority that receives amounts under this title may establish a system for making housing assistance available on behalf of eligible families that provides preference for such assistance to eligible families having certain characteristics.

(2) CONTENT.—Each system of preferences established pursuant to this subsection shall be based upon local housing needs and priorities, as determined by the local housing and management authority using generally accepted data sources, including any information obtained pursuant to an opportunity for public comment as provided under section 107(e) or under the requirements applicable to comprehensive housing affordability strategy for the relevant jurisdiction.

(d) TREATMENT OF ASSISTED FAMILIES WHO MOVE OUT OF JURISDICTION OF LHMA.—

(1) IN GENERAL.—A local housing and management authority may, in the discretion of the agency and notwithstanding any preferences under subsection (c), provide housing assistance for eligible families (or a certain number of such

families) who have moved into the jurisdiction of the authority and on whose behalf such assistance was being provided, at the time of such move, by the authority for the jurisdiction from which the family moved.

(2) ASSISTANCE UNDER 1937 ACT.—Notwithstanding any provision of this title, a local housing and management authority who, upon the date of the enactment of this Act, is providing assistance under section 8 of the United States Housing Act of 1937 for a family pursuant to subsection (r) of such section shall continue to provide such assistance (or housing assistance under this title) in accordance with such section until the local housing and management authority for the jurisdiction to which the family moved provides housing assistance on behalf of the family pursuant to paragraph (1) of this subsection or otherwise or the authority terminates such assistance for other reasons.

(e) TREATMENT OF FAMILIES ON WAITING LIST WHO MOVE OUT OF JURISDICTION OF LHMA.—

(1) MOVE TO JURISDICTION WITH OPEN WAITING LIST.—Except as provided in paragraph (2), if an eligible family (A) applies for choice-based housing assistance while residing within the jurisdiction of a local housing and management authority, (B) moves outside of the jurisdiction of the authority before such assistance is provided on behalf of the family, and (C) applies for housing assistance from the local housing and management authority for the jurisdiction to which the family moves, such authority shall consider the application to have been made upon the date that the family applied for assistance with the authority in whose jurisdiction the family previously resided.

(2) MOVE TO JURISDICTION WITH CLOSED WAITING LIST.—If the local housing and management authority for the jurisdiction to which an eligible family described in paragraph (1) moves is not generally accepting applications for housing assistance, such jurisdiction shall accept the application of such family but shall treat the application as having been made on the date on which it is actually made. Notwithstanding the preceding sentence, a local housing and management authority may (at the discretion of the authority) provide that any application by an eligible family whose move to the jurisdiction not accepting applications for assistance was made because of a verifiable employment opportunity shall be subject to the provisions of paragraph (1).

(f) AUTHORITY TO DENY ASSISTANCE TO CERTAIN FAMILIES WHO MOVE.—A local housing and management authority may establish criteria for denying housing assistance, and pursuant to such criteria may deny such assistance, to an eligible family who has moved from the jurisdiction of another authority, who received housing assistance from the authority for such other jurisdiction, and whose assistance was terminated by such other authority for reasons other than income ineligibility or the change of residence.

(g) LOSS OF ASSISTANCE UPON TERMINATION OF TENANCY.—A local housing and management authority may, to the extent such policies are described in the local housing management plan of the authority and included in the lease for a dwelling unit, establish policies providing that an assisted family whose tenancy is terminated for serious violations of the terms or conditions of the lease shall—

(1) lose any right to continued housing assistance; and

(2) immediately become ineligible for housing assistance under this title for a period not exceeding 3 years from the date of the termination of the housing assistance.

(h) CONFIDENTIALITY FOR VICTIMS OF DOMESTIC VIOLENCE.—A local housing and management authority shall be subject to the restrictions regarding release of information relating to the identity and new residence of any family receiving housing assistance who was a victim of domestic violence that are applicable to shelters pursuant to the Family Violence Prevention and Services Act. The authority shall work with the United States Postal Service to establish procedures consistent with the confidentiality provisions in the Violence Against Women Act of 1994.

SEC. 322. RESIDENT CONTRIBUTION.

(a) IN GENERAL.—An assisted family shall contribute on a monthly basis for the rental of an assisted dwelling unit an amount that the local housing and management authority determines is appropriate with respect to the family. The amount of the minimum monthly rental contribution—

(1) shall be based upon factors including the adjusted income of the family and any other factors that the authority considers appropriate;

(2) shall be not less than $25;

(3) shall include any portion of the cost of utilities for the dwelling unit for which the resident is responsible; and

(4) may be increased annually by the authority, except that no such annual increase may exceed 10 percent of the amount of the minimum monthly contribution in effect for the preceding year.

In any case in which the monthly rent charged for a dwelling unit pursuant to the housing assistance payments contract exceeds the payment standard (established under section 353) for the dwelling unit, the assisted family residing in the unit shall contribute (in addition to the amount of the monthly rent contribution otherwise determined under this subsection for such family) such entire excess rental amount.

(b) RENTAL CONTRIBUTION FOR ELDERLY AND DISABLED FAMILIES.—In establishing the amount of monthly rental contributions under this section for disabled families and elderly families residing in assisted dwelling units, a local housing and management authority shall waive the applicability of any provision of subsection (a) that may be necessary to establish such contributions that are reasonable based on the adjusted incomes of such families.

(c) TREATMENT OF CHANGES IN RENTAL CONTRIBUTION.—

(1) NOTIFICATION OF CHANGES.—A local housing and management authority shall promptly notify the owner of an assisted dwelling unit of any change in the resident contribution by the assisted family residing in the unit that takes effect immediately or at a later date.

(2) COLLECTION OF RETROACTIVE CHANGES.—In the case of any change in the rental contribution of an assisted family that affects rental payments previously made, the local housing and management authority shall collect any additional amounts required to be paid by the family under such change directly from the family and shall refund any excess rental contribution paid by the family directly to the family.

(d) PHASE-IN OF RENT CONTRIBUTION INCREASES.—

(1) IN GENERAL.—Except as provided in paragraph (2), for any family that is receiving tenant-based rental assistance under section 8 of the United States Housing Act of 1937 upon the initial applicability of the provisions of this title to such family, if the monthly contribution for rental of an assisted dwelling unit to be paid by the family upon such initial applicability is greater than the amount paid by the family under the provisions of the United States Housing Act of 1937 immediately before such applicability, any such resulting increase in rent contribution shall be—

(A) phased in equally over a period of not less than 3 years, if such increase is 30 percent or more of such contribution before initial applicability; and

(B) limited to not more than 10 percent per year if such increase is more than 10 percent but less than 30 percent of such contribution before initial applicability.

(2) EXCEPTION.—The minimum rent contribution requirement under subsection (a)(2) shall apply to each family described in paragraph (1) of this subsection, notwithstanding such paragraph.

SEC. 323. RENTAL INDICATORS.

(a) IN GENERAL.—The Secretary shall establish and issue rental indicators under this section periodically, but not less than annually, for existing rental dwelling units that are eligible dwelling units. The Secretary shall establish and issue the rental indicators by housing market area (as the Secretary shall establish) for various sizes and types of dwelling units.

(b) AMOUNT.—For a market area, the rental indicator established under subsection (a) for a dwelling unit of a particular size and type in the market area shall be a dollar amount that reflects the rental amount for a standard quality rental unit of such size and type in the market area that is an eligible dwelling unit.

(c) EFFECTIVE DATE.—The Secretary shall cause the proposed rental indicators established under subsection (a) for each market area to be published in the Federal Register with reasonable time for public comment, and such rental indicators shall become effective upon the date of publication in final form in the Federal Register.

(d) ANNUAL ADJUSTMENT.—Each rental indicator in effect under this section shall be adjusted to be effective on October 1 of each year to reflect changes, based on the most recent available data trended so that the indicators will be current for the year to which they apply, in rents for existing rental dwelling units of various sizes and types in the market area suitable for occupancy by families assisted under this title.

SEC. 324. LEASE TERMS.

Rental assistance may be provided for an eligible dwelling unit only if the assisted family and the owner of the dwelling unit enter into a lease for the unit that—

(1) provides for a single lease term of 12 months and continued tenancy after such term under a periodic tenancy on a month-to-month basis;

(2) contains terms and conditions specifying that termination of tenancy during the term of a lease shall be subject to the provisions set forth in section 325; and

(3) is set forth in the standard form, which is used in the local housing market area by the owner and applies generally to any other tenants in the property who are not assisted families, together with any addendum necessary to include the many terms required under this section.

A lease may include any addenda appropriate to set forth the provisions under section 325.

SEC. 325. TERMINATION OF TENANCY.

(a) GENERAL GROUNDS FOR TERMINATION OF TENANCY.—Each housing assistance payments contract under section 351 shall provide that the owner of any assisted dwelling unit assisted under the contract may, before expiration of a lease for a unit, terminate the tenancy of any tenant of the unit, but only for—

(1) violation of the terms and conditions of the lease, violation of applicable Federal, State, or local law, or other good cause; or

(2) any activity, engaged in by the tenant, any member of the tenant's household, or any guest or other person under the tenant's control, that—

(A) threatens the health or safety of, or right to peaceful enjoyment of the premises by, other tenants or employees of the owner or manager of the housing;

(B) threatens the health or safety of, or right to peaceful enjoyment of their residences by, persons residing in the immediate vicinity of the premises; or

(C) is criminal activity (including drug-related criminal activity).

(b) MANNER OF TERMINATION.—Each housing assistance payments contract shall provide that the owner shall conduct the termination of tenancy of any tenant of an assisted dwelling unit under the contract in accordance with applicable State or local laws, including providing any notice of termination required under such laws.

SEC. 326. ELIGIBLE OWNERS.

(a) OWNERSHIP ENTITY.—Rental assistance under this title may be provided for any eligible dwelling unit for which the owner is any public agency, private person or entity (including a cooperative), nonprofit organization, agency of the Federal Government, or local housing and management authority.

(b) INELIGIBLE OWNERS.—

(1) IN GENERAL.—Notwithstanding subsection (a), a local housing and management authority may not enter into a housing assistance payments contract (or renew an existing contract) covering a dwelling unit that is owned by an owner who is debarred, suspended, or subject to limited denial of participation under part 24 of title 24, Code of Federal Regulations.

(2) PROHIBITION OF SALE TO RELATED PARTIES.—The Secretary shall establish guidelines to prevent housing assistance payments for a dwelling unit that is owned by any spouse, child, or other party who allows an owner described in paragraph (1) to maintain control of the unit.

(3) RULE OF CONSTRUCTION.—This subsection may not be construed to prohibit, or authorize the termination or suspension, of payment of housing assistance under a housing assistance payments contract in effect at the time such debarment, suspension, or limited denial of participation takes effect.

SEC. 327. SELECTION OF DWELLING UNITS.

(a) FAMILY CHOICE.—The determination of the dwelling unit in which an assisted family resides and for which housing assistance is provided under this title shall be made solely by the assisted family, subject to the provisions of this title.

(b) DEED RESTRICTIONS.—Housing assistance may not be used in any manner that abrogates any local deed restriction that applies to any housing consisting of 1 to 4 dwelling units. Nothing in this section may be construed to affect the provisions or applicability of the Fair Housing Act.

SEC. 328. ELIGIBLE DWELLING UNITS.

(a) IN GENERAL.—A dwelling unit shall be an eligible dwelling unit for purposes of this title only if the local housing and management authority to provide housing assistance for the dwelling unit determines that the dwelling unit—

(1) is an existing dwelling unit that is not located within a nursing home or the grounds of any penal, reformatory, medical, mental, or similar public or private institution; and

(2) complies—

(A) with applicable State or local laws, regulations, standards, or codes regarding habitability of residential dwellings that—

(i) are in effect for the jurisdiction in which the dwelling unit is located;

(ii) provide protection to residents of the dwellings that is equal to or greater than the protection provided under the housing quality standards established under subsection (b); and

(iii) that do not severely restrict housing choice; or

(B) in the case of a dwelling unit located in a jurisdiction which does not have in effect laws, regulations, standards, or codes described in subparagraph (A), with the housing quality standards established under subsection (b).

Each local housing and management authority providing housing assistance shall identify, in the local housing management plan for the authority, whether the authority is utilizing the standard under subparagraph (A) or (B) of paragraph (2) and, if the authority utilizes the standard under subparagraph (A), shall certify in such plan that the applicable State or local laws, regulations, standards, or codes comply with the requirements under such subparagraph.

(b) DETERMINATIONS.—

(1) IN GENERAL.—A local housing and management authority shall make the determinations required under subsection (a) pursuant to an inspection of the dwelling unit conducted before any assistance payment is made for the unit.

(2) FAILURE TO INSPECT.—Notwithstanding subsection (a), if the inspection and the determinations referred to in paragraph (1) are not made before the expiration of the 7-day period beginning upon a request by the resident or landlord to the local housing and management authority—

(A) the dwelling unit shall be considered to be an eligible dwelling unit for purposes of this title; and

(B) the assisted family may occupy the dwelling unit, and assistance payments for the unit may be made before necessary repairs are completed, if the owner agrees to make such repairs within 15 days.

(c) FEDERAL HOUSING QUALITY STANDARDS.—The Secretary shall establish housing quality standards under this subsection that ensure that assisted dwelling units are safe, clean, and healthy. Such standards shall include requirements relating to habitability, including maintenance, health and sanitation factors, condition, and construction of dwellings, and shall, to the greatest extent practicable, be consistent with the standards established under section 232(b). The Secretary shall differentiate between major and minor violations of such standards.

(d) ANNUAL INSPECTIONS.—Each local housing and management authority providing housing assistance shall make an annual inspection of each assisted dwelling unit during the term of the housing assistance payments contracts for the unit to determine whether the unit is maintained in accordance with the requirements under subsection (a)(2). The authority shall submit the results of such inspections to the Secretary and the Inspector General for the Department of Housing and Urban Development and such results shall be available to the Housing Foundation and Accreditation Board established under title IV and any auditor conducting an audit under section 432.

(e) INSPECTION GUIDELINES.—The Secretary shall establish procedural guidelines and performance standards to facilitate inspections of dwelling units and conform such inspections with practices utilized in the private housing market. Such guidelines and standards shall take into consideration variations in local laws and practices of local housing and management authorities and shall provide flexibility to authorities appropriate to facilitate efficient provision of assistance under this title.

(f) RULE OF CONSTRUCTION.—This section may not be construed to prevent the provision of housing assistance in connection with supportive services for elderly or disabled families.

SEC. 329. HOMEOWNERSHIP OPTION.

(a) IN GENERAL.—A local housing and management authority providing housing assistance under this title may provide homeownership assistance to assist eligible families to purchase a dwelling unit (including purchase under lease-purchase homeownership plans).

(b) REQUIREMENTS.—A local housing and management authority providing homeownership assistance under this section shall, as a condition of an eligible family receiving such assistance, require the family to—

(1) demonstrate that the family has income from employment or other sources (other than public assistance), as determined in accordance with requirements established by the authority; and

(2) meet any other initial or continuing requirements established by the local housing and management authority.

(c) DOWNPAYMENT REQUIREMENT.—

(1) IN GENERAL.—A local housing and management authority may establish minimum downpayment requirements, if appropriate, in connection with loans made for the purchase of dwelling units for which homeownership assistance is provided under this section. If the authority establishes a minimum downpayment requirement, except as provided in paragraph (2) the authority shall permit the family to use grant amounts, gifts from relatives, contributions from private sources, and similar amounts as downpayment amounts in such purchase.

(2) DIRECT FAMILY CONTRIBUTION.—In purchasing housing pursuant to this section subject to a downpayment requirement, each family shall contribute an amount of the downpayment, from resources of the family other than grants, gifts, contributions, or other similar amounts referred to in paragraph (1), that is not less than 1 percent of the purchase price.

(d) INELIGIBILITY UNDER OTHER PROGRAMS.—A family may not receive homeownership assistance pursuant to this section during any period when assistance is being provided for the family under other Federal homeownership assistance programs, as determined by the Secretary, including assistance under the HOME Investment Partnerships Act, the Homeownership and Opportunity Through HOPE Act, title II of the Housing and Community Development Act of 1987, and section 502 of the Housing Act of 1949.

Subtitle C—Payment of Housing Assistance on Behalf of Assisted Families

SEC. 351. HOUSING ASSISTANCE PAYMENTS CONTRACTS.

(a) IN GENERAL.—Each local housing and management authority that receives amounts under a contract under section 302 may enter into housing assistance payments contracts with owners of existing dwelling units to make housing assistance payments to such owners in accordance with this title.

(b) LHMA ACTING AS OWNER.—A local housing and management authority may enter into a housing assistance payments contract to make housing assistance payments under this title to itself (or any agency or instrumentality thereof) as the owner of dwelling units, and the authority shall be subject to the same requirements that are applicable to other owners, except that the determinations under section 328(a) and 354(b) shall be made by a competent party not affiliated with the authority or the owner, and the authority shall be responsible for any expenses of such determinations.

(c) PROVISIONS.—Each housing assistance payments contract shall—

(1) have a term of not more than 12 months;

(2) require that the assisted dwelling unit may be rented only pursuant to a lease that complies with the requirements of section 324;

(3) comply with the requirements of section 325 (relating to termination of tenancy);

(4) require the owner to maintain the dwelling unit in accordance with the applicable standards under section 328(a)(2); and

(5) provide that the screening and selection of eligible families for assisted dwelling units shall be the function of the owner.

SEC. 352. AMOUNT OF MONTHLY ASSISTANCE PAYMENT.

The amount of the monthly assistance payment for housing assistance under this title on behalf of an assisted family shall be as follows:

(1) UNITS HAVING GROSS RENT LESS THAN PAYMENT STANDARD.—In the case of a dwelling unit bearing a gross rent that does not exceed the payment standard established under section 353 for a dwelling unit of the applicable size and located in the market area in which such assisted dwelling unit is located, the amount by which the gross rent for the dwelling unit exceeds the amount of the resident contribution determined in accordance with section 322.

(2) UNITS HAVING GROSS RENT EXCEEDING PAYMENT STANDARD.—In the case of a dwelling unit bearing a gross rent that exceeds the payment standard established under section 353 for a dwelling unit of the applicable size and located

in the market area in which such assisted dwelling unit is located, the amount by which such payment standard exceeds the amount of the resident contribution determined in accordance with section 322.

SEC. 353. PAYMENT STANDARDS.

(a) ESTABLISHMENT.—Each local housing and management authority providing housing assistance under this title shall establish payment standards under this section for various areas, and sizes and types of dwelling units, for use in determining the amount of monthly housing assistance payment to be provided on behalf of assisted families.

(b) USE OF RENTAL INDICATORS.—The payment standard for each size and type of housing for each market area shall be an amount that is not less than 80 percent, and not greater than 120 percent, of the rental indicator established under section 323 for such size and type for such area.

(c) REVIEW.—If the Secretary determines, at any time, that a significant percentage of the assisted families who are assisted by a large local housing and management authority and are occupying dwelling units of a particular size are paying more than 30 percent of their adjusted incomes for rent, the Secretary shall review the payment standard established by the authority for such size dwellings. If, pursuant to the review, the Secretary determines that such payment standard is not appropriate to serve the needs of the low-income population of the jurisdiction served by the authority (taking into consideration rental costs in the area), as identified in the approved community improvement plan of the authority, the Secretary may require the local housing and management authority to modify the payment standard. For purposes of this subsection, the term "large local housing and management authority" means a local housing and management authority that provides housing assistance on behalf of 1250 or more assisted families.

SEC. 354. REASONABLE RENTS.

(a) ESTABLISHMENT.—The rent charged for a dwelling unit for which rental assistance is provided under this title shall be established pursuant to negotiation and agreement between the assisted family and the owner of the dwelling unit.

(b) REASONABLENESS.—

(1) DETERMINATION.—A local housing and management authority providing rental assistance under this title for a dwelling unit shall, before commencing assistance payments for a unit, determine whether the rent charged for the unit exceeds the rents charged for comparable units in the applicable private unassisted market.

(2) UNREASONABLE RENTS.—If the authority determines that the rent charged for a dwelling unit exceeds such comparable rents, the authority shall—

(A) inform the assisted family renting the unit that such rent exceeds the rents for comparable unassisted units in the market; and

(B) refuse to provide housing assistance payments for such unit.

SEC. 355. PROHIBITION OF ASSISTANCE FOR VACANT RENTAL UNITS.

If an assisted family vacates a dwelling unit for which rental assistance is provided under a housing assistance payments contract before the expiration of the term of the lease for the unit, rental assistance pursuant to such contract may not be provided for the unit after the month during which the unit was vacated.

Subtitle D—General and Miscellaneous Provisions

SEC. 371. DEFINITIONS.

For purposes of this title:

(1) ASSISTED DWELLING UNIT.—The term "assisted dwelling unit" means a dwelling unit in which an assisted family resides and for which housing assistance payments are made under this title.

(2) ASSISTED FAMILY.—The term "assisted family" means an eligible family on whose behalf housing assistance payments are made under this title or who has been selected and approved for housing assistance.

(3) CHOICE-BASED.—The term "choice-based" means, with respect to housing assistance, that the assistance is not attached to a dwelling unit but can be used for any eligible dwelling unit selected by the eligible family.

(4) ELIGIBLE DWELLING UNIT.—The term "eligible dwelling unit" means a dwelling unit that complies with the requirements under section 328 for consideration as an eligible dwelling unit.

(5) ELIGIBLE FAMILY.—The term "eligible family" means a family that meets the requirements under section 321(a) for assistance under this title.

(6) HOMEOWNERSHIP ASSISTANCE.—The term "homeownership assistance" means housing assistance provided under section 329 for the ownership of a dwelling unit.

(7) HOUSING ASSISTANCE.—The term "housing assistance" means assistance provided under this title on behalf of low-income families for the rental or ownership of an eligible dwelling unit.

(8) HOUSING ASSISTANCE PAYMENTS CONTRACT.—The term "housing assistance payments contract" means a contract under section 351 between a local housing and management authority (or the Secretary) and an owner to make housing assistance payments under this title to the owner on behalf of an assisted family.

(9) LOCAL HOUSING AND MANAGEMENT AUTHORITY.—The terms "local housing and management authority" and "authority" have the meaning given such terms in section 103, except that the terms include—

(A) a consortia of local housing and management authorities that the Secretary determines has the capacity and capability to administer a program for housing assistance under this title in an efficient manner;

(B) any other entity that, upon the date of the enactment of this Act, was administering any program for tenant-based rental assistance under section 8 of the United States Housing Act of 1937 (as in effect before the enactment of this Act), pursuant to a contract with the Secretary or a public housing agency; and

(C) with respect to any area in which no local housing and management authority has been organized or where the Secretary determines that a local housing and management authority is unwilling or unable to implement this title, or is not performing effectively—

(i) the Secretary or another entity that by contract agrees to receive assistance amounts under this title and enter into housing assistance payments contracts with owners and perform the other functions of local housing and management authority under this title; or

(ii) notwithstanding any provision of State or local law, a local housing and management authority for another area that contracts with the Secretary to administer a program for housing assistance under this title, without regard to any otherwise applicable limitations on its area of operation.

(10) OWNER.—The term "owner" means the person or entity having the legal right to lease or sublease dwelling units. Such term includes any principals, general partners, primary shareholders, and other similar participants in any entity owning a multifamily housing project, as well as the entity itself.

(11) RENT.—The terms "rent" and "rental" include, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative.

(12) RENTAL ASSISTANCE.—The term "rental assistance" means housing assistance provided under this title for the rental of a dwelling unit.

SEC. 372. RENTAL ASSISTANCE FRAUD RECOVERIES.

(a) AUTHORITY TO RETAIN RECOVERED AMOUNTS.—The Secretary shall permit local housing and management authorities administering housing assistance under this title to retain, out of amounts obtained by the authorities from tenants that are due as a result of fraud and abuse, an amount (determined in accordance with regulations issued by the Secretary) equal to the greater of—

(1) 50 percent of the amount actually collected; or

(2) the actual, reasonable, and necessary expenses related to the collection, including costs of investigation, legal fees, and collection agency fees.

(b) USE.—Amounts retained by an authority shall be made available for use in support of the affected program or project, in accordance with regulations issued by the Secretary. If the Secretary is the principal party initiating or sustaining an action to recover amounts from families or owners, the provisions of this section shall not apply.

(c) RECOVERY.—Amounts may be recovered under this section—

(1) by an authority through a lawsuit (including settlement of the lawsuit) brought by the authority or through court-ordered restitution pursuant to a criminal proceeding resulting from an authority's investigation where the authority seeks prosecution of a family or where an authority seeks prosecution of an owner;

(2) through administrative repayment agreements with a family or owner entered into as a result of an administrative grievance procedure conducted by an impartial decisionmaker in accordance with section 110; or

(3) through an agreement between the parties.

SEC. 373. STUDY REGARDING GEOGRAPHIC CONCENTRATION OF ASSISTED FAMILIES.

(a) IN GENERAL.—The Secretary shall conduct a study of the geographic areas in the State of Illinois served by the Housing Authority of Cook County and the Chicago Housing Authority and submit to the Congress a report and a specific proposal, which addresses and resolves the issues of—

(1) the adverse impact on local communities due to geographic concentration of assisted households under the tenant-based housing programs under section 8 of the United States Housing Act of 1937 (as in effect immediately before the enactment of this Act) and under this title; and

(2) facilitating the deconcentration of such assisted households by providing broader housing choices to such households.

The study shall be completed, and the report shall be submitted, not later than 90 days after the date of the enactment of this Act.

(b) CONCENTRATION.—For purposes of this section, the term "concentration" means, with respect to any area within a census tract, that—

(1) 15 percent or more of the households residing within such area have incomes which do not exceed the poverty level; or

(2) 15 percent or more of the total affordable housing stock located within such area is assisted housing.

TITLE IV—ACCREDITATION AND OVERSIGHT OF LOCAL HOUSING AND MANAGEMENT AUTHORITIES

Subtitle A—Housing Foundation and Accreditation Board

SEC. 401. ESTABLISHMENT.

There is established an independent agency in the executive branch of the Government to be known as the Housing Foundation and Accreditation Board (in this title referred to as the "Board").

SEC. 402. MEMBERSHIP.

(a) IN GENERAL.—The Board shall be composed of 12 members appointed by the President not later than 180 days after the date of the enactment of this Act, as follows:

(1) 4 members shall be appointed from among 10 individuals recommended by the Secretary of Housing and Urban Development.

(2) 4 members shall be appointed from among 10 individuals recommended by the Chairman and Ranking Minority Member of the Committee on Banking, Housing, and Urban Affairs of the Senate.

(3) 4 members appointed from among 10 individuals recommended by the Chairman and Ranking Minority Member of the Committee on Banking and Financial Services of the House of Representatives.

(b) QUALIFICATIONS.—

(1) REQUIRED REPRESENTATION.—The Board shall at all times have the following members:

(A) 2 members who are residents of public housing or dwelling units assisted under title III of this Act or the provisions of section 8 of the United States Housing Act of 1937 (as in effect before the enactment of this Act).

(B) 2 members who are executive directors of local housing and management authorities.

(C) 1 member who is a member of the Institute of Real Estate Managers.

(D) 1 member who is the owner of a multifamily housing project assisted under a program administered by the Secretary of Housing and Urban Development.

(2) REQUIRED EXPERIENCE.—The Board shall at all times have as members individuals with the following experience:

(A) At least 1 individual who has extensive experience in the residential real estate finance business.

(B) At least 1 individual who has extensive experience in operating a nonprofit organization that provides affordable housing.

(C) At least 1 individual who has extensive experience in construction of multifamily housing.

(D) At least 1 individual who has extensive experience in the management of a community development corporation.

A single member of the board with the appropriate experience may satisfy the requirements of more than 1 subparagraph of this paragraph. A single member of the board with the appropriate qualifications and experience may satisfy the requirements of a subparagraph of paragraph (1) and a subparagraph of this paragraph.

(c) POLITICAL AFFILIATION.—Not more than 6 members of the Board may be of the same political party.

(d) TERMS.—

(1) IN GENERAL.—Each member of the Board shall be appointed for a term of 4 years, except as provided in paragraphs (2) and (3).

(2) TERMS OF INITIAL APPOINTEES.—As designated by the President at the time of appointment, of the members first appointed—

(A) 3 shall be appointed for terms of 1 year;

(B) 3 shall be appointed for terms of 2 years;

(C) 3 shall be appointed for terms of 3 years; and

(D) 3 shall be appointed for terms of 4 years;

(3) VACANCIES.—Any member appointed to fill a vacancy occurring before the expiration of the term for which the member's predecessor was appointed shall be appointed only for the remainder of that term. A member may serve after the expiration of that member's term until a successor has taken office. A vacancy in the Board shall be filled in the manner in which the original appointment was made.

(e) CHAIRPERSON.—The Board shall elect a chairperson from among members of the Board.

(f) QUORUM.—A majority of the members of the Board shall constitute a quorum for the transaction of business.

(g) VOTING.—Each member of the Board shall be entitled to 1 vote, which shall be equal to the vote of every other member of the Board.

(h) PROHIBITION ON ADDITIONAL PAY.—Members of the Board shall serve without compensation, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of their duties as members of the Board.

SEC. 403. FUNCTIONS.

The purpose of this subtitle is to establish the Board as a nonpolitical entity to carry out the following functions:

(1) EVALUATION OF DEEP SUBSIDY PROGRAMS.—Measuring the performance and efficiency of all "deep subsidy" programs for housing assistance administered by the Secretary of Housing and Urban Development, including the public housing program under title II and the programs for tenant- and project-based rental assistance under title III and section 8 of the United States Housing Act of 1937 (as in effect before the enactment of this Act).

(2) ESTABLISHMENT OF LHMA PERFORMANCE BENCHMARKS.—Establishing standards and guidelines under section 431 for use by the Secretary in measuring the performance and efficiency of local housing and management authorities and other owners and providers of federally assisted housing in carrying out operational and financial functions.

(3) ACCREDITATION OF LHMA'S.—Establishing a procedure under section 431(b) for accrediting local housing and management authorities to receive block grants under title I for the operation, maintenance, and production of public housing, ensuring that financial and performance audits under such section are conducted annually for each local housing and management authority, and reviewing such audits for purposes of accreditation.

(4) CLASSIFICATION OF LHMA'S.—Classifying local housing and management authorities, under to section 434, according to the performance categories under section 431(a)(2).

SEC. 404. INITIAL ESTABLISHMENT OF STANDARDS AND PROCEDURES FOR LHMA COMPLIANCE.

(a) DEADLINE.—Not later than the expiration of the 12-month period beginning upon the completion of the appointment, under section 402, of the initial members of the Board, the Board shall organize its structure and operations, establish the standards, guidelines, and procedures under sections 431, and establish any fees

under section 406. Before issuing such standards, guidelines, and procedures in final form, the Board shall submit a copy to the Congress.

(b) PRIORITY OF INITIAL EVALUATIONS.—After organization of the Board and establishment of standards, guidelines, and procedures under sections 431, the Board shall commence evaluations under section 433(b) for the purpose of accrediting local housing and management authorities and shall give priority to conducting evaluations of local housing and management authorities that are designated as troubled public housing agencies under section 6(j) of the United States Housing Act of 1937 (as in effect before the date of the enactment of this Act) pursuant to section 431(d).

SEC. 405. POWERS.

(a) HEARINGS.—The Board may, for the purpose of carrying out this subtitle, hold such hearings and sit and act at such times and places as the Board determines appropriate.

(b) RULES AND REGULATIONS.—The Board may adopt such rules and regulations as may be necessary to establish its procedures and to govern the manner of its operations, organization, and personnel.

(c) ASSISTANCE FROM FEDERAL AGENCIES.—

(1) INFORMATION.—The Board may secure directly from any department or agency of the Federal Government such information as the Board may require for carrying out its functions, including local housing management plans submitted to the Secretary by local housing and management authorities under title II. Upon request of the Board, any such department or agency shall furnish such information. The Board may acquire information directly from local housing and management authorities to the same extent the Secretary may acquire such information.

(2) GENERAL SERVICES ADMINISTRATION.—The Administrator of General Services shall provide to the Board, on a reimbursable basis, such administrative support services as the Board may request.

(3) DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.—Upon the request of the chairperson of the Board, the Secretary of Housing and Urban Development shall, to the extent possible and subject to the discretion of the Secretary, detail any of the personnel of the Department of Housing and Urban Development, on a nonreimbursable basis, to assist the Board in carrying out its functions under this subtitle.

(d) MAILS.—The Board may use the United States mails in the same manner and under the same conditions as other Federal agencies.

(e) CONTRACTING.—The Board may, to such extent and in such amounts as are provided in appropriation Acts, enter into contracts with private firms, institutions, and individuals for the purpose of conducting research or surveys necessary to enable the Board to discharge its functions under this subtitle.

(f) STAFF.—

(1) EXECUTIVE DIRECTOR.—The Board shall appoint an executive director of the Board, who shall be compensated at a rate fixed by the Board, but which shall not exceed the rate established for level V of the Executive Schedule under title 5, United States Code.

(2) OTHER PERSONNEL.—In addition to the executive director, the Board may appoint and fix the compensation of such personnel as the Board considers necessary, in accordance with the provisions of title 5, United States Code, governing appointments to the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates. Such personnel may include personnel for assessment teams under section 431(b).

SEC. 406. FEES.

(a) ACCREDITATION FEES.—The Board may establish and charge fees for the accreditation of local housing and management authorities as the Board considers necessary to cover the costs of the operations of the Board relating to establishing standards, guidelines, and procedures for evaluating the performance of local housing and management authorities and performing comprehensive reviews relating to the accreditation of such authorities.

(b) FUND.—Any fees collected under this section shall be deposited in an operations fund for the Board, which is hereby established in the Treasury of the United States. Amounts in such fund shall be available, to the extent provided in appropriation Acts, for the expenses of the Board in carrying out its functions under this subtitle.

SEC. 407. REPORTS.

The Board shall submit a report to the Congress annually describing, for the year for which the report is made—

(1) any modifications made by the Board to the standards, guidelines, and procedures issued under section 431 by the Board;

(2) the results of the assessments, reviews, and evaluations conducted by the Board under subtitle B;

(3) the types and extent of assistance, information, and products provided by the Board; and

(4) any other activities of the Board.

Subtitle B—Accreditation and Oversight Standards and Procedures

SEC. 431. ESTABLISHMENT OF PERFORMANCE BENCHMARKS AND ACCREDITATION PROCEDURES.

(a) PERFORMANCE BENCHMARKS.—

(1) PERFORMANCE AREAS.—The Housing Foundation and Accreditation Board established under section 401 (in this subtitle referred to as the "Board") shall establish standards and guidelines, for use under section 434, to measure the performance of local housing and management authorities in all aspects relating to—

(A) operational and financial functions;

(B) providing, maintaining, and assisting low-income housing—

(i) that is safe, clean, and healthy, as required under sections 232 and 328;

(ii) in a manner consistent with the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act, if appropriate;

(iii) that is occupied by eligible families; and

(iv) that is affordable to eligible families;

(C) producing low-income housing and executing capital projects, if applicable;

(D) administering the provision of housing assistance under title III;

(E) accomplishing the goals and plans set forth in the local housing management plan for the authority;

(F) promoting responsibility and self-sufficiency among residents of public housing developments of the authority and assisted families under title III; and

(G) complying with the other requirements of the authority under block grant contracts under title II, grant agreements under title III, and the provisions of this Act.

(2) PERFORMANCE CATEGORIES.—In establishing standards and guidelines under this section, the Board shall define various levels of performance, which shall include the following levels:

(A) EXCEPTIONALLY WELL-MANAGED.—A minimum acceptable level of performance in the areas specified in paragraph (1) for classification of a local housing and management authority as exceptionally well-managed, which shall indicate that the authority functions exceptionally.

(B) WELL-MANAGED.—A minimum acceptable level of performance in the areas specified in paragraph (1) for classification of a local housing and management authority as well-managed, which shall indicate that the authority functions satisfactorily.

(C) AT RISK OF BECOMING TROUBLED.—A minimum acceptable level of performance in the areas specified in paragraph (1) for classification of a local housing and management authority as at risk of becoming troubled, which shall indicate that there are elements in the operations, management, or functioning of the authority that must be addressed before they result in serious and complicated deficiencies.

(D) TROUBLED.—A minimum level of performance in the areas specified in paragraph (1) for classification of a local housing and management authority as a troubled authority, which shall indicate that the authority functions unsatisfactorily with respect to certain areas under paragraph (1), but such deficiencies are not irreparable.

(E) DYSFUNCTIONAL.—A maximum level of performance in the areas specified in paragraph (1) for classification of a local housing and management

authority as dysfunctional, which shall indicate that the authority suffers such deficiencies that the authority should not be allowed to continue to manage low-income housing or administer housing assistance.

(3) ACCREDITATION STANDARD.—In establishing standards and guidelines under this section, the Board shall establish a minimum acceptable level of performance for accrediting a local housing and management authority for purposes of authorizing the authority to enter into a new block grant contract under title II or a new grant agreement under title III.

(b) ACCREDITATION PROCEDURE.—The Accreditation Board shall establish procedures for—

(1) reviewing the performance of a local housing and management authority over the term of the expiring accreditation, which review shall be conducted during the 12-month period that ends upon the conclusion of the term of the expiring accreditation;

(2) evaluating the capability of a local housing and management authority that proposes to enter into an initial block grant contract under title II or an initial grant agreement under title III; and

(3) determining whether the authority complies with the standards and guidelines for accreditation established under subsection (a)(3).

The procedures for a review or evaluation under this subsection shall provide for the review or evaluation to be conducted by an assessment team established by the Board, which shall review annual financial and performance audits conducted under section 432 and obtain such information as the Board may require.

(c) IDENTIFICATION OF POTENTIAL PROBLEMS.—The standards and guidelines under subsection (a) and the procedure under subsection (b) shall be established in a manner designed to identify potential problems in the operations, management, functioning of local housing and management authorities at a time before such problems result in serious and complicated deficiencies.

(d) INTERIM APPLICABILITY OF PHMAP.—Notwithstanding any other provision of this subtitle, during the period that begins on the date of the enactment of this Act and ends upon the date of the effectiveness of final regulations establishing the standards, guidelines, and procedures required under this section and section 432, the Secretary shall assess the management performance of local housing and management authorities in the same manner provided for public housing agencies pursuant to section 6(j) of the United States Housing Act of 1937 (as in effect immediately before the enactment of this Act) and may take actions with respect to local housing and management authorities that are authorized under such section with respect to public housing agencies.

SEC. 432. ANNUAL FINANCIAL AND PERFORMANCE AUDIT.

(a) REQUIREMENT.—The Secretary shall require each local housing and management authority that receives grant amounts under this Act in a fiscal year to have a financial and performance audit of the authority conducted for the fiscal year and to submit the results of the audit to the Secretary and the Board. Not later than 60 days before submitting a financial and performance audit to the Secretary and the Board, the local housing and management authority shall submit the audit to any local elected official or officials responsible for appointing the members of the board of directors (or other similar governing body) of the local housing and management authority for review and comment. Any such comments shall be submitted, together with the audit, to the Secretary and the Board and the Secretary and the Board shall consider such comments in reviewing the audit.

(b) PROCEDURES.— The requirements for financial and performance audits shall—

(1) provide for the audit to be conducted by an independent auditor selected by the authority;

(2) authorize the auditor to obtain information from a local housing and management authority, to access any books, documents, papers, and records of an authority that are pertinent to this Act and assistance received pursuant to this Act, and to review any reports of an authority to the Secretary; and

(3) be designed to identify potential problems in the operations, management, functioning of a local housing and management authority at a time before such problems result in serious and complicated deficiencies.

(c) PURPOSE.—Audits under this section shall be designed to—

(1) evaluate the financial performance and soundness and management performance of the local housing and management authority board of directors (or other similar governing body) and the authority management officials and staff;

(2) assess the compliance of an authority with all aspects of the standards and guidelines established under section 431(a)(1); and

(3) provide information to the Secretary and the Board regarding the financial performance and management of the authority and to determine whether a review under section 225(d) or 353(c) is required.

(d) SINGLE AUDIT ACT COMPLIANCE.—An audit under this section shall be made in a manner so that the audit complies with the requirements for audits under chapter 75 of title 31, United States Code.

(e) WITHHOLDING OF AMOUNTS FOR COSTS OF AUDIT.—If the Secretary determines that a local housing and management authority has failed to take the actions required to submit an audit under this section for a fiscal year, the Secretary may—

(1) arrange for, and pay the costs of, the audit; and

(2) withhold, from the total allocation for any fiscal year otherwise payable to the authority under this Act, amounts sufficient to pay for the reasonable costs of conducting an acceptable audit, including, if appropriate, the reasonable costs of accounting services necessary to place the authority's books and records in condition that permits an audit.

SEC. 433. ACCREDITATION.

(a) REVIEW UPON EXPIRATION OF PREVIOUS ACCREDITATION.—The Accreditation Board shall perform a comprehensive review of the performance of a local housing and management authority, in accordance with the procedures established under section 431(b), before the expiration of the term for which a previous accreditation was granted under this subtitle.

(b) INITIAL EVALUATION.—

(1) IN GENERAL.—Before entering into an initial block grant contract under title II or an initial contract pursuant to section 302 for assistance under title III with any local housing and management authority, the Board shall conduct a comprehensive evaluation of the capabilities of the local housing and management authority.

(2) EXCEPTION.—Paragraph (1) shall not apply to an initial block grant contract or grant agreement entered into during the period beginning upon the date of the enactment of this Act and ending upon the date of the effectiveness of final regulations establishing the standards, guidelines, and procedures required under section 431 with any public housing agency that received amounts under the United States Housing Act of 1937 during fiscal year 1995.

(c) DETERMINATION AND REPORT.—Pursuant to a review or evaluation under this section, the Board shall determine whether the authority meets the requirements for accreditation under section 431(a)(3), shall accredit the authority if it meets such requirements, and shall submit a report on the results of the review or evaluation and such determination to the Secretary and the authority.

(d) ACCREDITATION.—An accreditation under this section shall expire at the end the term established by the Board in granting the accreditation, which may not exceed 5 years. The Board may qualify an accreditation placing conditions on the accreditation based on the future performance of the authority.

SEC. 434. CLASSIFICATION BY PERFORMANCE CATEGORY.

Upon completing the accreditation process under section 433 with respect to a local housing and management authority, the Housing Finance and Accreditation Board shall designate the authority according to the performance categories under section 431(a)(2). In determining the classification of an authority, the Board shall consider the most recent financial and performance audit under section 432 of the authority and accreditation reports under section 433(c) for the authority.

SEC. 435. PERFORMANCE AGREEMENTS FOR AUTHORITIES AT RISK OF BECOMING TROUBLED.

(a) IN GENERAL.—Upon designation of a local housing and management authority as at risk of becoming troubled under section 431(a)(2)(C), the Secretary shall seek to enter into an agreement with the authority providing for improvement of the elements of the authority that have been identified. An agreement under this section shall contain such terms and conditions as the Secretary determines are appropriate for addressing the elements identified, which may include an on-site, independent assessment of the management of the authority.

(b) POWERS OF SECRETARY.—If the Secretary determines that such action is necessary to prevent the local housing and management authority from becoming a troubled authority, the Secretary may—

(1) solicit competitive proposals from other local housing and management authorities and private housing management agents (which may be selected by existing tenants through administrative procedures established by the Secretary), to prepare for any case in which such agents may be needed for managing all, or part, of the housing administered by the authority; or

(2) solicit competitive proposals from other local housing and management authorities and private entities with experience in construction management, to prepare for any case in which such authorities or firms may be needed to oversee implementation of assistance made available for capital improvement for public housing of the authority.

SEC. 436. PERFORMANCE AGREEMENTS AND CDBG SANCTIONS FOR TROUBLED LHMA'S.

(a) IN GENERAL.—Upon designation of a local housing and management authority as a troubled authority under section 431(a)(2)(D), the Secretary shall seek to enter into an agreement with the authority providing for improving the management performance of the authority.

(b) CONTENTS.—An agreement under this section between the Secretary and a local housing and management authority shall set forth—

(1) targets for improving performance, as measured by the guidelines and standards established under section 431(a)(1) and other requirements within a specified period of time, which shall include targets to be met upon the expiration of the 12-month period beginning upon entering into the agreement;

(2) strategies for meeting such targets;

(3) sanctions for failure to implement such strategies; and

(4) to the extent the Secretary deems appropriate, a plan for enhancing resident involvement in the management of the local housing and management authority.

(c) LOCAL ASSISTANCE IN IMPLEMENTATION.—The Secretary and the local housing and management authority shall, to the maximum extent practicable, seek the assistance of local public and private entities in carrying out an agreement under this section.

(d) DEFAULT UNDER PERFORMANCE AGREEMENT.—Upon the expiration of the 12-month period beginning upon entering into an agreement under this section with a local housing and management authority, the Secretary shall review the performance of the authority in relation to the performance targets and strategies under the agreement. If the Secretary determines that the authority has failed to comply with the performance targets established for the expiration of such period, the Secretary shall take the action authorized under section 437(b)(2).

(e) CDBG SANCTION AGAINST LOCAL GOVERNMENT CONTRIBUTING TO TROUBLED STATUS OF LHMA.—If the Secretary determines that the actions or inaction of any unit of general local government within which any portion of the jurisdiction of a local housing and management authority is located has substantially contributed to the conditions resulting in the authority being designated under section 431(a)(2)(D) as a troubled authority, the Secretary may redirect or withhold, from such unit of general local government any amounts allocated for such unit under section 106 of such Act.

SEC. 437. OPTION TO DEMAND CONVEYANCE OF TITLE TO OR POSSESSION OF PUBLIC HOUSING.

(a) AUTHORITY FOR CONVEYANCE.—A contract under section 201 for block grants under title II (including contracts which amend or supersede contracts previously made (including contracts for contributions)) may provide that upon the occurrence of a substantial default with respect to the covenants or conditions to which the local housing and management authority is subject (as such substantial default shall be defined in such contract) or upon designation of the authority as dysfunctional pursuant to section 431(a)(2)(E), the local housing and management authority shall be obligated, at the option of the Secretary, to—

(1) convey title in any case where, in the determination of the Secretary (which determination shall be final and conclusive), such conveyance of title is necessary to achieve the purposes of this Act; or

(2) deliver to the Secretary possession of the development, as then constituted, to which such contract relates.

(b) OBLIGATION TO RECONVEY.—Any block grant contract under title II containing the provisions authorized in subsection (a) shall also provide that the Secretary shall be obligated to reconvey or redeliver possession of the development, as constituted at the time of reconveyance or redelivery, to such local housing and management authority or to its successor (if such local housing and management authority or a successor exists) upon such terms as shall be prescribed in such contract, and as soon as practicable after—

(1) the Secretary is satisfied that all defaults with respect to the development have been cured, and that the development will, in order to fulfill the purposes of this Act, thereafter be operated in accordance with the terms of such contract; or

(2) the termination of the obligation to make annual block grants to the authority, unless there are any obligations or covenants of the authority to the Secretary which are then in default.

Any prior conveyances and reconveyances or deliveries and redeliveries of possession shall not exhaust the right to require a conveyance or delivery of possession of the development to the Secretary pursuant to subsection (a) upon the subsequent occurrence of a substantial default.

(c) CONTINUED GRANTS FOR REPAYMENT OF BONDS AND NOTES UNDER 1937 ACT.—If—

(1) a contract for block grants under title II for an authority includes provisions that expressly state that the provisions are included pursuant to this subsection, and

(2) the portion of the block grant payable for debt service requirements pursuant to the contract has been pledged by the local housing and management authority as security for the payment of the principal and interest on any of its obligations, then—

(A) the Secretary shall (notwithstanding any other provisions of this Act), continue to make the block grant payments for the authority so long as any of such obligations remain outstanding; and

(B) the Secretary may covenant in such a contract that in any event such block grant amounts shall in each year be at least equal to an amount which, together with such income or other funds as are actually available from the development for the purpose at the time such block grant payments are made, will suffice for the payment of all installments of principal and interest on the obligations for which the amounts provided for in the contract shall have been pledged as security that fall due within the next succeeding 12 months.

In no case shall such block grant amounts be in excess of the maximum sum specified in the contract involved, nor for longer than the remainder of the maximum period fixed by the contract.

SEC. 438. REMOVAL OF INEFFECTIVE LHMA'S.

(a) CONDITIONS OF REMOVAL.—The actions specified in subsection (b) may be taken only upon—

(1) the occurrence of events or conditions that constitute a substantial default by a local housing and management authority with respect to (A) the covenants or conditions to which the local housing and management authority is subject, or (B) an agreement entered into under section 435;

(2) designation of the authority as dysfunctional pursuant to section 431(a)(2)(E);

(3) in the case only of action under subsection (b)(1), failure of a local housing and management authority to obtain reaccreditation upon the expiration of the term of a previous accreditation granted under this subtitle; or

(4) submission to the Secretary of a petition by the residents of the public housing owned or operated by a local housing and management authority that is designated as troubled or dysfunctional pursuant to section 431(a)(2).

(b) REMOVAL ACTIONS.—Notwithstanding any other provision of law or of any block grant contract under title II or any grant agreement under title III, in accordance with subsection (a), the Secretary may—

(1) solicit competitive proposals from other local housing and management authorities and private housing management agents (which, in the discretion of the Secretary, may be selected by existing public housing residents through administrative procedures established by the Secretary) and, if appropriate, provide for such agents to manage all, or part, of the housing administered by the local housing and management authority or all or part of the other functions of the authority;

(2) take possession of the local housing and management authority, including any developments or functions of the authority under any section of this Act;

(3) solicit competitive proposals from other local housing and management authorities and private entities with experience in construction management and, if appropriate, provide for such authorities or firms to oversee implementation of assistance made available for capital improvements for public housing;

(4) require the authority to make other arrangements acceptable to the Secretary and in the best interests of the public housing residents and assisted families under title III for managing all, or part of, the public housing administered by the authority or the functions of the authority; or

(5) if the Secretary determines that reasonable opportunities for remedy using the actions under paragraphs (1) through (4) have failed or are not available,

petition for the appointment of a receiver for the local housing and management authority to any district court of the United States or to any court of the State in which any portion of the jurisdiction of the local housing and management authority is located, that is authorized to appoint a receiver for the purposes and having the powers prescribed in this section.

(c) EMERGENCY ASSISTANCE.—The Secretary may make available to receivers and other entities selected or appointed pursuant to this section such assistance as is fair and reasonable to remedy the substantial deterioration of living conditions in individual public housing developments or other related emergencies that endanger the health, safety and welfare of public housing residents or assisted families under title III.

(d) POWERS OF SECRETARY.—If the Secretary takes possession of an authority, or any developments or functions of an authority, pursuant to subsection (b)(2), the Secretary—

(1) may abrogate contracts that substantially impede correction of the substantial default or improvement of the classification;

(2) may demolish and dispose of assets of the authority in accordance with subtitle E;

(3) where determined appropriate by the Secretary, may require the establishment of one or more new local housing and management authorities;

(4) may consolidate the authority into other well-managed local housing and management authorities with the consent of such well-managed authorities;

(5) shall not be subject to any State or local laws that, in the determination of the receiver, substantially impede correction of the substantial default or improvement of the classification; and

(6) shall have such additional authority as a district court of the United States has the authority to confer under like circumstances upon a receiver to achieve the purposes of the receivership.

The Secretary may appoint, on a competitive or noncompetitive basis, an individual or entity as an administrative receiver to assume the Secretary's responsibility under this paragraph for the administration of a local housing and management authority. The Secretary may delegate to the administrative receiver any or all of the powers of the Secretary under this subsection. Regardless of any delegation under this subsection, an administrative receiver may not require the establishment of one or more new local housing and management authorities pursuant to paragraph (3) unless the Secretary first approves such establishment. For purposes of this subsection, the term "local housing and management authority" includes any developments or functions of a local housing and management authority under any section of this title.

(e) RECEIVERSHIP.—

(1) REQUIRED APPOINTMENT.—In any proceeding under subsection (b)(5), upon a determination that a substantial default has occurred, and without regard to the availability of alternative remedies, the court shall appoint a receiver to conduct the affairs of the local housing and management authority in a manner consistent with this Act and in accordance with such further terms and conditions as the court may provide. The receiver appointed may be another local housing and management authority, a private management corporation, the Secretary, or any other appropriate entity. The court shall have power to grant appropriate temporary or preliminary relief pending final disposition of the petition by the Secretary.

(2) POWERS OF RECEIVER.—If a receiver is appointed for a local housing and management authority pursuant to subsection (b)(5), in addition to the powers accorded by the court appointing the receiver, the receiver—

(A) may abrogate contracts that substantially impede correction of the substantial default or improvement of the classification;

(B) may demolish and dispose of assets of the authority in accordance with subtitle E;

(C) where determined appropriate by the Secretary, may require the establishment of one or more new local housing and management authorities, to the extent permitted by State and local law; and

(D except as provided in subparagraph (C), shall not be subject to any State or local laws that, in the determination of the receiver, substantially impede correction of the substantial default or improvement of the classification.

For purposes of this paragraph, the term "local housing and management authority" includes any developments or functions of a local housing and management authority under any section of this title.

(3) TERMINATION.—The appointment of a receiver pursuant to this subsection may be terminated, upon the petition of any party, when the court determines that all defaults have been cured or the local housing and management authority will be able to make the same amount of progress in correcting the management of the housing as the receiver.

(f) LIABILITY.—If the Secretary takes possession of an authority pursuant to subsection (b)(2) or a receiver is appointed pursuant to subsection (b)(5) for a local housing and management authority, the Secretary or the receiver shall be deemed to be acting in the capacity of the local housing and management authority (and not in the official capacity as Secretary or other official) and any liability incurred shall be a liability of the local housing and management authority.

SEC. 439. MANDATORY TAKEOVER OF CHRONICALLY TROUBLED PHA'S.

(a) REMOVAL OF AGENCY.—Notwithstanding any other provision of this Act, not later than the expiration of the 180-day period beginning on the date of the enactment of this Act, the Secretary shall take one of the following actions with respect to each chronically troubled public housing agency:

(1) CONTRACTING FOR MANAGEMENT.—Solicit competitive proposals for the management of the agency pursuant to section 437(b)(1) and replace the management of the agency pursuant to selection of such a proposal.

(2) TAKEOVER.—Take possession of the agency pursuant to section 437(b)(2) of such Act.

(b) DEFINITION.—For purposes of this section, the term "chronically troubled public housing agency" means a public housing agency that, as of the date of the enactment of this Act, is designated under section 6(j)(2) of the United States Housing Act of 1937 (as in effect immediately before the enactment of this Act) as a troubled public housing agency and has been so designated continuously for the 3-year period ending upon such date of enactment; except that such term does not include any agency that owns or operates less than 1250 public housing dwelling units and that the Secretary determines can, with a reasonable amount of effort, make such improvements or remedies as may be necessary to remove its designation as troubled within 12 months.

SEC. 440. TREATMENT OF TROUBLED PHA'S.

(a) EFFECT OF TROUBLED STATUS ON CHAS.—The comprehensive housing affordability strategy (or any consolidated plan incorporating such strategy) for the first year beginning after the date of the enactment of this Act for the State or unit of general local government in which any troubled public housing agency is located shall not be considered to comply with the requirements under section 105 of the Cranston-Gonzalez National Affordable Housing Act unless such plan includes a description of the manner in which the State or unit will assist such troubled agency in improving its operations to remove such designation.

(b) DEFINITION.—For purposes of this section, the term "troubled public housing agency" means a public housing agency that—

(1) upon the date of the enactment of this Act, is designated under section 6(j)(2) of the United States Housing Act of 1937 (as in effect immediately before the enactment of this Act) as a troubled public housing agency; and

(2) is not a chronically troubled public housing agency, as such term is defined in section 438(b) of this Act.

SEC. 441. MAINTENANCE OF AND ACCESS TO RECORDS.

(a) KEEPING OF RECORDS.—Each local housing and management authority shall keep such records as may be reasonably necessary to disclose the amount and the disposition by the authority of the proceeds of assistance received pursuant to this Act and to ensure compliance with the requirements of this Act.

(b) ACCESS TO DOCUMENTS.—The Secretary, the Inspector General for the Department of Housing and Urban Development, and the Comptroller General of the United States shall each have access for the purpose of audit and examination to any books, documents, papers, and records of a local housing and management authority that are pertinent to this Act and assistance received pursuant to this Act.

SEC. 442. ANNUAL REPORTS REGARDING TROUBLED LHMA'S.

The Secretary shall submit a report to the Congress annually, as a part of the report of the Secretary under section 8 of the Department of Housing and Urban Development Act, that—

(1) identifies the local housing and management authorities that are designated as troubled or dysfunctional under section 431(a)(2) and the reasons for such designation;

(2) identifies the local housing and management authorities that have lost accreditation pursuant to section 432; and

(3) describes any actions that have been taken in accordance with sections 433, 434, 435, and 436.

SEC. 443. APPLICABILITY TO RESIDENT MANAGEMENT CORPORATIONS.

The Secretary shall apply the provisions of this subtitle to resident management corporations in the same manner as applied to local housing and management authorities.

SEC. 444. INAPPLICABILITY TO INDIAN HOUSING.

The provisions of sections 431, 432, 433, 434, 435, 436, 438, and 442 shall not apply to public housing developed or operated pursuant to a contract between the Secretary and an Indian housing authority.

TITLE V—REPEALS AND CONFORMING AMENDMENTS

SEC. 501. REPEALS.

(a) IN GENERAL.—The following provisions of law are hereby repealed:

(1) UNITED STATES HOUSING ACT OF 1937.—The United States Housing Act of 1937 (42 U.S.C. 1437 et seq.).

(2) ASSISTED HOUSING ALLOCATION.—Section 213 of the Housing and Community Development Act of 1974 (42 U.S.C. 1439).

(3) PUBLIC HOUSING RENT WAIVERS FOR POLICE.—Section 519 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 1437a–1).

(4) OCCUPANCY PREFERENCES AND INCOME MIX FOR NEW CONSTRUCTION AND SUBSTANTIAL REHABILITATION PROJECTS.—Subsection (c) of section 545, and section 555, of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 1437f note).

(5) TREATMENT OF CERTIFICATE AND VOUCHER HOLDERS.—Subsection (c) of section 183 of the Housing and Community Development Act of 1987 (42 U.S.C. 1437f note).

(6) RETROACTIVE PAYMENT FOR ANNUAL ADJUSTMENT FACTORS.—Section 801 of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 1437f note).

(7) EXCESSIVE RENT BURDEN DATA.—Subsection (b) of section 550 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 1437f note).

(8) SECTION 8 DISASTER RELIEF.—Sections 931 and 932 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 1437c note).

(9) MOVING TO OPPORTUNITY FOR FAIR HOUSING.—Section 152 of the Housing and Community Development Act of 1992 (42 U.S.C. 1437f note).

(10) REPORT REGARDING FAIR HOUSING OBJECTIVES.—Section 153 of the Housing and Community Development Act of 1992 (42 U.S.C. 1437f note).

(11) SECTION 8 COMMUNITY INVESTMENT DEMONSTRATION.—Section 6 of the HUD Demonstration Act of 1993 (42 U.S.C. 1437f note).

(12) SPECIAL PROJECTS FOR ELDERLY OR HANDICAPPED FAMILIES.—Section 209 of the Housing and Community Development Act of 1974 (42 U.S.C. 1438).

(13) ACCESS TO PHA BOOKS.—Section 816 of the Housing Act of 1954 (42 U.S.C. 1435).

(14) MISCELLANEOUS PROVISIONS.—Subsections (b)(1), (c), and (d) of section 326 of the Housing and Community Development Amendments of 1981 (Public Law 97–35, 95 Stat. 406; 42 U.S.C. 1437f note).

(15) PAYMENT FOR DEVELOPMENT MANAGERS.—Section 329A of the Housing and Community Development Amendments of 1981 (42 U.S.C. 1437j–1).

(16) PURCHASE OF PHA OBLIGATIONS.—Section 329E of the Housing and Community Development Amendments of 1981 (12 U.S.C. 2294a).

(17) PROCUREMENT OF INSURANCE BY PHA'S.—

(A) In the item relating to "ADMINISTRATIVE PROVISIONS" under the heading "MANAGEMENT AND ADMINISTRATION" in title II of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1991, the penultimate undesignated paragraph of such item (Public Law 101–507; 104 Stat. 1369).

(B) In the item relating to "ADMINISTRATIVE PROVISIONS" under the heading "MANAGEMENT AND ADMINISTRATION" in title II of the Departments of Veterans Affairs and Housing and Urban Development, and Independent

Agencies Appropriations Act, 1992, the 19th through 23d undesignated paragraphs of such item (Public Law 102–139; 105 Stat. 758).

(18) PUBLIC HOUSING CHILDHOOD DEVELOPMENT.—Section 222 of the Housing and Urban-Rural Recovery Act of 1983 (12 U.S.C. 1701z–6 note).

(19) INDIAN HOUSING CHILDHOOD DEVELOPMENT.—Section 518 of the Cranston-Gonzalez National Affordable Housing Act (12 U.S.C. 1701z–6 note).

(20) PUBLIC HOUSING COMPREHENSIVE TRANSITION DEMONSTRATION.—Section 126 of the Housing and Community Development Act of 1987 (42 U.S.C. 1437f note).

(21) PUBLIC HOUSING ONE-STOP PERINATAL SERVICES DEMONSTRATION.—Section 521 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 1437t note).

(22) PUBLIC HOUSING MINCS DEMONSTRATION.—Section 522 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 1437f note).

(23) PUBLIC HOUSING ENERGY EFFICIENCY DEMONSTRATION.—Section 523 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 1437g note).

(24) OMAHA HOMEOWNERSHIP DEMONSTRATION.—Section 132 of the Housing and Community Development Act of 1992 (Public Law 102–550; 106 stat. 3712).

(25) PUBLIC AND ASSISTED HOUSING YOUTH SPORTS PROGRAMS.—Section 520 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 11903a).

(b) SAVINGS PROVISION.—The repeals made by subsection (a) shall not affect any legally binding obligations entered into before the date of the enactment of this Act. Any funds or activities subject to a provision of law repealed by subsection (a) shall continue to be governed by the provision as in effect immediately before such repeal.

SEC. 502. CONFORMING AND TECHNICAL PROVISIONS.

(a) ALLOCATION OF ELDERLY HOUSING AMOUNTS.—Section 202(l) of the Housing Act of 1959 (12 U.S.C. 1701q(l)) is amended by adding at the end the following new paragraph:

"(4) CONSIDERATION IN ALLOCATING ASSISTANCE.—Assistance under this section shall be allocated in a manner that ensures that the awards of the assistance are made for projects of sufficient size to accommodate facilities for supportive services appropriate to the needs of frail elderly residents.".

(b) ELIGIBILITY FOR ASSISTED HOUSING.—

(1) GENERAL.—Notwithstanding any other provision of law, for purposes of determining eligibility for admission to assisted housing, a person shall not be considered to have a disability or a handicap solely because of the prior or current illegal use of a controlled substance (as defined in section 102 of the Controlled Substances Act) or solely by reason of the prior or current use of alcohol.

(2) DEFINITION.—For purposes of this subsection, the term "assisted housing" means housing designed primarily for occupancy by elderly persons or persons with disabilities that is assisted pursuant to this Act, the United States Housing Act of 1937, section 221(d)(3) or 236 of the National Housing Act, section 202 of the Housing Act of 1959, section 101 of the Housing and Urban Development Act of 1965, or section 811 of the Cranston-Gonzalez National Affordable Housing Act.

(3) CONTINUED OCCUPANCY.—This subsection may not be construed to prohibit the continued occupancy of any person who is a resident in assisted housing on the date of enactment of this Act.

(c) AMENDMENT TO HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983.—Section 227(d)(2) of the Housing and Urban-Rural Recovery Act of 1983 (12 U.S.C. 1701r–1(d)(2)) is amended by inserting "the United States Housing Act of 1996," after "the United States Housing Act of 1937,".

(d) REVIEW OF DRUG ELIMINATION PROGRAM CONTRACTS.—

(1) REQUIREMENT.—Notwithstanding the repeal under section 501(a)(26), the Secretary of Housing and Urban Development shall investigate all security contracts awarded by grantees under the Public and Assisted Housing Drug Elimination Act of 1990 (42 U.S.C. 11901 et seq.) that are public housing agencies that own or operate more than 4,500 public housing dwelling units—

(A) to determine whether the contractors under such contracts have complied with all laws and regulations regarding prohibition of discrimination in hiring practices;

(B) to determine whether such contracts were awarded in accordance with the applicable laws and regulations regarding the award of such contracts;

(C) to determine how many such contracts were awarded under emergency contracting procedures;

(D) to evaluate the effectiveness of the contracts; and

(E) to provide a full accounting of all expenses under the contracts.

(2) REPORT.—Not later than 180 days after the date of the enactment of this Act, the Secretary shall complete the investigation required under paragraph (1) and submit a report to the Congress regarding the findings under the investigation. With respect to each such contract, the report shall (A) state whether the contract was made and is operating, or was not made or is not operating, in full compliance with applicable laws and regulations, and (B) for each contract that the Secretary determines is in such compliance in a personal certification of such compliance by the Secretary of Housing and Urban Development.

(3) ACTIONS.—For each contract that is described in the report under paragraph (2) as not made or not operating in full compliance with applicable laws and regulation, the Secretary of Housing and Urban Development shall promptly take any actions available under law or regulation that are necessary—

(A) to bring such contract into compliance; or

(B) to terminate the contract.

(e) REFERENCES.—Except as provided in section 271 and 501(b), any reference in any other Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to—

(1) public housing or housing assisted under the United States Housing Act of 1937 is deemed to refer to public housing assisted under title II of this Act;

(2) to assistance under section 8 of the United States Housing Act of 1937 is deemed to refer to assistance under title III of this Act; and

(3) to assistance under the United States Housing Act of 1937 is deemed to refer to assistance under this Act.

SEC. 503. AMENDMENTS TO PUBLIC AND ASSISTED HOUSING DRUG ELIMINATION ACT OF 1990.

(a) SHORT TITLE, PURPOSES, AND AUTHORITY TO MAKE GRANTS.—Chapter 2 of subtitle C of title V of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11901 et seq.) is amended by striking the chapter heading and all that follows through section 5123 and inserting the following:

"CHAPTER 2—COMMUNITY PARTNERSHIPS AGAINST CRIME

"SEC. 5121. SHORT TITLE.

"This chapter may be cited as the 'Community Partnerships Against Crime Act of 1996'.

"SEC. 5122. PURPOSES.

"The purposes of this chapter are to—

"(1) improve the quality of life for the vast majority of law-abiding public housing residents by reducing the levels of fear, violence, and crime in their communities;

"(2) broaden the scope of the Public and Assisted Housing Drug Elimination Act of 1990 to apply to all types of crime, and not simply crime that is drug-related; and

"(3) reduce crime and disorder in and around public housing through the expansion of community-oriented policing activities and problem solving.

"SEC. 5123. AUTHORITY TO MAKE GRANTS.

"The Secretary of Housing and Urban Development may make grants in accordance with the provisions of this chapter for use in eliminating crime in and around public housing and other federally assisted low-income housing projects to (1) local housing and management authorities, and (2) private, for-profit and nonprofit owners of federally assisted low-income housing.".

(b) ELIGIBLE ACTIVITIES.—

(1) IN GENERAL.—Section 5124(a) of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11903(a)) is amended—

(A) in the matter preceding paragraph (1), by inserting "and around" after "used in";

(B) in paragraph (3), by inserting before the semicolon the following: ", including fencing, lighting, locking, and surveillance systems";

(C) in paragraph (4), by striking subparagraph (A) and inserting the following new subparagraph:

"(A) to investigate crime; and";

(D) in paragraph (6)—

(i) by striking "in and around public or other federally assisted low-income housing projects"; and

(ii) by striking "and" after the semicolon; and

(E) by striking paragraph (7) and inserting the following new paragraphs:

"(7) providing funding to nonprofit public housing resident management corporations and resident councils to develop security and crime prevention programs involving site residents;

"(8) the employment or utilization of one or more individuals, including law enforcement officers, made available by contract or other cooperative arrangement with State or local law enforcement agencies, to engage in community- and problem-oriented policing involving interaction with members of the community in proactive crime control and prevention activities;

"(9) programs and activities for or involving youth, including training, education, recreation and sports, career planning, and entrepreneurship and employment activities and after school and cultural programs; and

"(10) service programs for residents that address the contributing factors of crime, including programs for job training, education, drug and alcohol treatment, and other appropriate social services.".

(2) OTHER LHMA-OWNED HOUSING.—Section 5124(b) of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11903(b)) is amended—

(A) in the matter preceding paragraph (1)—

(i) by striking "drug-related crime in housing owned by public housing agencies" and inserting "crime in and around housing owned by local housing and management authorities"; and

(ii) by striking "paragraphs (1) through (7)" and inserting "paragraphs (1) through (10)"; and

(B) in paragraph (2)—

(i) by striking "public housing agency" and inserting "local housing and management authority"; and

(ii) by striking "drug-related" and inserting "criminal".

(c) GRANT PROCEDURES.—Section 5125 of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11904) is amended to read as follows:

"SEC. 5125. GRANT PROCEDURES.

"(a) LHMA'S WITH 250 OR MORE UNITS.—

"(1) GRANTS.—In each fiscal year, the Secretary shall make a grant under this chapter from any amounts available under section 5131(b)(1) for the fiscal year to each of the following local housing and management authorities:

"(A) NEW APPLICANTS.—Each local housing and management authority that owns or operates 250 or more public housing dwelling units and has—

"(i) submitted an application to the Secretary for a grant for such fiscal year, which includes a 5-year crime deterrence and reduction plan under paragraph (2); and

"(ii) had such application and plan approved by the Secretary.

"(B) RENEWALS.—Each local housing and management authority that owns or operates 250 or more public housing dwelling units and for which—

"(i) a grant was made under this chapter for the preceding Federal fiscal year;

"(ii) the term of the 5-year crime deterrence and reduction plan applicable to such grant includes the fiscal year for which the grant under this subsection is to be made; and

"(iii) the Secretary has determined, pursuant to a performance review under paragraph (4), that during the preceding fiscal year the agency has substantially fulfilled the requirements under subparagraphs (A) and (B) of paragraph (4).

"(2) 5-YEAR CRIME DETERRENCE AND REDUCTION PLAN.—Each application for a grant under this subsection shall contain a 5-year crime deterrence and reduction plan. The plan shall describe, for the local housing and management authority submitting the plan—

"(A) the nature of the crime problem in public housing owned or operated by the local housing and management authority;

"(B) the building or buildings of the local housing and management authority affected by the crime problem;

"(C) the impact of the crime problem on residents of such building or buildings; and

"(D) the actions to be taken during the term of the plan to reduce and deter such crime, which shall include actions involving residents, law enforcement, and service providers.

The term of a plan shall be the period consisting of 5 consecutive fiscal years, which begins with the first fiscal year for which funding under this chapter is provided to carry out the plan.

"(3) AMOUNT.—In any fiscal year, the amount of the grant for a local housing and management authority receiving a grant pursuant to paragraph (1) shall be the amount that bears the same ratio to the total amount made available under section 5131(b)(1) as the total number of public dwelling units owned or operated by such authority bears to the total number of dwelling units owned or operated by all local housing and management authorities that own or operate 250 or more public housing dwelling units that are approved for such fiscal year.

"(4) PERFORMANCE REVIEW.—For each fiscal year, the Secretary shall conduct a performance review of the activities carried out by each local housing and management authority receiving a grant pursuant to this subsection to determine whether the agency—

"(A) has carried out such activities in a timely manner and in accordance with its 5-year crime deterrence and reduction plan; and

"(B) has a continuing capacity to carry out such plan in a timely manner.

"(5) SUBMISSION OF APPLICATIONS.—The Secretary shall establish such deadlines and requirements for submission of applications under this subsection.

"(6) REVIEW AND DETERMINATION.—The Secretary shall review each application submitted under this subsection upon submission and shall approve the application unless the application and the 5-year crime deterrence and reduction plan are inconsistent with the purposes of this chapter or any requirements established by the Secretary or the information in the application or plan is not substantially complete. Upon approving or determining not to approve an application and plan submitted under this subsection, the Secretary shall notify the local housing and management authority submitting the application and plan of such approval or disapproval.

"(7) DISAPPROVAL OF APPLICATIONS.—If the Secretary notifies an authority that the application and plan of the authority is not approved, not later than the expiration of the 15-day period beginning upon such notice of disapproval, the Secretary shall also notify the authority, in writing, of the reasons for the disapproval, the actions that the authority could take to comply with the criteria for approval, and the deadlines for such actions.

"(8) FAILURE TO APPROVE OR DISAPPROVE.—If the Secretary fails to notify an authority of approval or disapproval of an application and plan submitted under this subsection before the expiration of the 60-day period beginning upon the submission of the plan or fails to provide notice under paragraph (7) within the 15-day period under such paragraph to an authority whose application has been disapproved, the application and plan shall be considered to have been approved for purposes of this section.

"(b) LHMA'S WITH FEWER THAN 250 UNITS AND OWNERS OF FEDERALLY ASSISTED LOW-INCOME HOUSING.—

"(1) APPLICATIONS AND PLANS.—To be eligible to receive a grant under this chapter, a local housing and management authority that owns or operates fewer than 250 public housing dwelling units or an owner of federally assisted low-income housing shall submit an application to the Secretary at such time, in such manner, and accompanied by such additional information as the Secretary may require. The application shall include a plan for addressing the problem of crime in and around the housing for which the application is submitted, describing in detail activities to be conducted during the fiscal year for which the grant is requested.

"(2) GRANTS FOR LHMA'S WITH FEWER THAN 250 UNITS.—In each fiscal year the Secretary may, to the extent amounts are available under section 5131(b)(2), make grants under this chapter to local housing and management authorities that own or operate fewer than 250 public housing dwelling units and have submitted applications under paragraph (1) that the Secretary has approved pursuant to the criteria under paragraph (4).

"(3) GRANTS FOR FEDERALLY ASSISTED LOW-INCOME HOUSING.—In each fiscal year the Secretary may, to the extent amounts are available under section 5131(b)(3), make grants under this chapter to owners of federally assisted low-income housing that have submitted applications under paragraph (1) that the Secretary has approved pursuant to the criteria under paragraphs (4) and (5).

"(4) CRITERIA FOR APPROVAL OF APPLICATIONS.—The Secretary shall determine whether to approve each application under this subsection on the basis of—

"(A) the extent of the crime problem in and around the housing for which the application is made;

"(B) the quality of the plan to address the crime problem in the housing for which the application is made;

"(C) the capability of the applicant to carry out the plan; and

"(D) the extent to which the tenants of the housing, the local government, local community-based nonprofit organizations, local tenant organizations representing residents of neighboring projects that are owned or assisted by the Secretary, and the local community support and participate in the design and implementation of the activities proposed to be funded under the application.

In each fiscal year, the Secretary may give preference to applications under this subsection for housing made by applicants who received a grant for such housing for the preceding fiscal year under this subsection or under the provisions of this chapter as in effect immediately before the date of the enactment of the United States Housing Act of 1996.

"(5) ADDITIONAL CRITERIA FOR FEDERALLY ASSISTED LOW-INCOME HOUSING.—In addition to the selection criteria under paragraph (4), the Secretary may establish other criteria for evaluating applications submitted by owners of federally assisted low-income housing, except that such additional criteria shall be designed only to reflect—

"(A) relevant differences between the financial resources and other characteristics of local housing and management authorities and owners of federally assisted low-income housing; or

"(B) relevant differences between the problem of crime in public housing administered by such authorities and the problem of crime in federally assisted low-income housing.".

(d) DEFINITIONS.—Section 5126 of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11905) is amended—

(1) by striking paragraphs (1) and (2);

(2) in paragraph (4)(A), by striking "section" before "221(d)(4)";

(3) by redesignating paragraphs (3) and (4) (as so amended) as paragraphs (1) and (2), respectively; and

(4) by adding at the end the following new paragraph:

"(3) LOCAL HOUSING AND MANAGEMENT AUTHORITY.—The term 'local housing and management authority' has the meaning given the term in title I of the United States Housing Act of 1996.".

(e) IMPLEMENTATION.—Section 5127 of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11906) is amended by striking "Cranston-Gonzalez National Affordable Housing Act" and inserting "United States Housing Act of 1996".

(f) REPORTS.—Section 5128 of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11907) is amended—

(1) by striking "drug-related crime in" and inserting "crime in and around"; and

(2) by striking "described in section 5125(a)" and inserting "for the grantee submitted under subsection (a) or (b) of section 5125, as applicable".

(g) FUNDING AND PROGRAM SUNSET.—Chapter 2 of subtitle C of title V of the Anti-Drug Abuse Act of 1988 is amended by striking section 5130 (42 U.S.C. 11909) and inserting the following new sections:

"SEC. 5130. FUNDING.

"(a) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this chapter such sums as may be necessary for fiscal year 1996.

"(b) ALLOCATION.—Of any amounts available, or that the Secretary is authorized to use, to carry out this chapter in any fiscal year—

"(1) 85 percent shall be available only for assistance pursuant to section 5125(a) to local housing and management authorities that own or operate 250 or more public housing dwelling units;

"(2) 10 percent shall be available only for assistance pursuant to section 5125(b)(2) to local housing and management authorities that own or operate fewer than 250 public housing dwelling units; and

"(3) 5 percent shall be available only for assistance to federally assisted low-income housing pursuant to section 5125(b)(3).

"SEC. 5131. PROGRAM TERMINATION.

"The program under this chapter shall terminate at the end of September 30, 1996. No grants may be made under the program after such date.".

(h) CONFORMING AMENDMENTS.—The table of contents in section 5001 of the Anti-Drug Abuse Act of 1988 (Public Law 100–690; 102 Stat. 4295) is amended—

(1) by striking the item relating to the heading for chapter 2 of subtitle C of title V and inserting the following:

"CHAPTER 2—COMMUNITY PARTNERSHIPS AGAINST CRIME";

(2) by striking the item relating to section 5122 and inserting the following new item:

"Sec. 5122. Purposes.";

(3) by striking the item relating to section 5125 and inserting the following new item:

"Sec. 5125. Grant procedures.";

and

(4) by striking the item relating to section 5130 and inserting the following new items:

"Sec. 5130. Funding.
"Sec. 5131. Program termination.".

EXPLANATION OF THE LEGISLATION

H.R. 2406, the United States Housing Act of 1996, fundamentally changes the public housing and Section 8 rental assistance programs, both of which are under the jurisdiction of the Department of Housing and Urban Development (HUD). This legislation represents the first step toward creating a new role for the federal government in supporting local communities and their efforts at improvement.

The United States Housing Act of 1996 replaces the United States Housing Act of 1937 and returns decision-making to the local level. The bill deregulates and decontrols well-run public housing authorities (PHAs), allowing them to provide clean, safe, healthy and affordable housing to needy families in a more cost-effective and managerial-sound manner. The bill encourages work and self-sufficiency through job training programs and educational opportunities. Chronically troubled PHAs, whose long-standing failure have been a hallmark of government involvement in housing and urban development, are no longer tolerated. HUD is required to replace them with professional management entities that have the "know-how" and expertise to meet the goals of this legislation. The existing Section 8 certificate and voucher programs are consolidated and recreated so they can be operated in a manner that more closely resembles the private housing market.

FINDINGS AND PURPOSES

The purpose of this legislation is to promote safe, clean, and healthy housing that is affordable to responsible, deserving low-income families who cannot provide fully for themselves. It ends the acquisition of power at the federal level and returns decision-making to local communities. To accomplish this goal, existing public housing programs are consolidated into block grants to local housing management authorities (LHMAs). Existing statutory requirements are replaced with more simple, straight-forward federal oversight.

In return for deregulation, housing providers, renamed "local housing and management authorities (LHMAs)" to reflect their functions, are expected to administer federally assisted housing programs, perform as effective property and asset managers and operate their housing inventory in a manner that serves local needs. To promote and support this role, the Committee bill creates an accredition board. This is responsible for imposing professional,

nonpolitical standards of LHMAs that accept federal housing block grants as well as for judging the performance of these authorities.

The Committee recognizes that it is impossible for the federal government, through its direct action or involvement, to provide housing for every American citizen. Despite this constraint, however, the federal government does not have a responsibility to promote and protect the independent and collective actions of private citizens to develop housing and to strengthen communities.

To promote this philosophy, H.R. 2406 provides statutory parameters and significant flexibility to encourage local ingenuity and creativity. For example, an LHNA may decide to demolish a large, severely distressed public housing project and provide alternative housing choices to displaced residents. Likewise, the LHMA might choose to enter into a joint-venture with a private sector partner and build new affordable housing using tax incentives, grants and loans. In either situation, the legislation encourages partnerships with the private sector as well as local and state governments.

The legislation recognizes that it is not enough for families to live in soundly built houses—the family must also have access to schools, churches and grocery stores. Therefore, H.R. 2406 provides LHMAs the ability to develop local housing management plans in concert with the local community's consolidated plan.

Coordinating local strategies will lead to greater integration of federal resources, like community development block grant (CDBG) and HOME dollars, with affordable housing dollars. Such integration will foster economic growth, creating economic opportunity for residents of public and assisted housing. To this end, H.R. 2406 creates incentives for residents of federally-assisted housing to become self-sufficient.

The Committee also believes the United States Housing Act (USHA) of 1937, is outdated and must be replaced. This Depression-era legislation was written for a very different time. Utilizing the tools and knowledge available today, the United States Housing Act of 1996 builds on the foundation of the 1937 Act in a way that can more effectively provide for the housing requirements of future generations.

I. BACKGROUND AND NEED FOR LEGISLATION

Most participants in the low-income housing community agree that the law authorizing the public housing and Section 8 rental assistance programs is extremely complex. In fact, the public housing programs is extremely complex. In fact, the public housing program is one of the most perplexing areas of HUD's federal mandate.

Most Americans believe that public housing is a failure and a waste of their hard-earned taxpayer dollars. This perception is based largely on projects like Robert Taylor Homes in Chicago, Illinois, Hayes Homes in Newark, New Jersey, and Allen Parkway Village in Houston, Texas, all of which are in deplorable condition and are largely vacant. Unfortunately, the perception problem is bolstered by the knowledge that approximately 20% of the public housing budget has flowed to chronically troubled PHAs like Philadephia, Chicago, Washington, D.C., and New Orleans—PHAs that have failed to carry out their jobs.

Similarly, the Section 8 rental assistance program is plagued by public relations problems. Most people confuse this privately-owned housing program with public housing—a sore point for many landlords and property managers. Excessive legislative mandates, bureaucratic micromanagment, and other structural deficiencies hamper an otherwise strong program, and may lead to a decrease in the supply of clean, healthy, and affordable housing.

Fortunately, most people familiar with the programs—the Congress, the Administration, the industry, and the recipients of assistance—agree they must be reformed and basic underlying principles changed. Even public housing authorities that manage their housing inventories effectively concur that the current construction of the public housing and Section 8 rental assistance programs must change dramatically if they are to continue to serve low-income clients.

Critical reform components include creating a new environment in which: (1) residents are encouraged to become self-sufficient and are provided with the vehicle to do so; (2) LHMAs are empowered to make management decisions about the viability of their stock; and (3) participants in the program are provided with the tools to work cooperatively, in an arena that insists on accountability and rewards success.

Clearly, retaining the USHA of 1937 in its current form will not create the climate in which these components can flourish. Therefore, it is the opinion of the Committee that the Act must be replaced with new legislation that promotes the goals of the nation and utilizes state-of-the-art real estate practices.

H.R. 2406 builds on the goals of the USHA of 1937 and renews the premise that the federal government has a role to play in providing safe, healthy, and affordable housing for families of low-income. This role, however, must be balanced against the fact that housing assistance is not an entitlement under the Constitution. Nor, for that matter, has a Chief Executive or a Congress moved towards making public housing and low income rental assistance an entitlement by funding it at levels necessary to meet the needs of the country's eligible population.

Furthermore, the USHA of 1937 reflects the philosophy of a different era. Much of the language and ideas contained in the 1937 Act are outdated. Many programs authorized by the legislation have not been funded or utilized for years. In fact, some programs have never been implemented. Updating this law is absolutely necessary and appropriate, especially if the United States is to successfully carry out its role providing housing assistance for families whom it can afford to help.

When passed in 1937, the United States Housing Act comprised only 12 pages of the United States Statutes at Large. The law itself was straightforward and simple. Its stated objective was to stimulate the economy, to assist business and labor, and to create jobs by stabilizing the industrial activity of the United States during the Depression.[1]

Additionally, the legislation sought to eliminate slums and provide decent homes for families who had, under the circumstances

[1] See Report No. 1545. August 13, 1937.

that prevailed at the time, become dependent on public aid to improve their housing conditions.

In stark contrast to current law, the original legislation did not provide much direction about who was to receive assistance or how a local authority was to make decisions regarding everyday matters like admissions, rent structure, maintenance and capital improvements. Special programmatic set-asides did not exist nor did the legislation contemplate providing money for operating expenses of a home.

As the Act has evolved, the means by which to accomplish the goals have changed dramatically. The original purpose of the program—to create jobs and stimulate the economy—has changed to providing subsidized housing to very poor families. Modern residents rarely pay the full operating costs of their housing, unlike the families who lived in public housing until 1969.

Federal micromanagement has increased substantially beyond what was intended by the 75th Congress. The more than 300 pages of law are filled with prescriptive solutions that cannot be tailored to the needs of individual PHAs or the families they serve. Unrealistic policies require obsolete housing to be rehabilitated for millions of dollars even if other available forms of housing are less expensive. Local governments are precluded from making even basic decisions about how to help their constituencies. PHAs are flooded by a steady flow of mandates from Washington. Often many of these mandates infringe on local control and, ultimately, are part of ill-conceived attempts to create a "one size fits all" policy for a resource that should be tailored to widely varying local housing needs.

Section 2 of the USHA states "[i]t is the policy of the United States to promote the general welfare of the Nation by employing its funds and credit . . . to remedy the unsafe and unsanitary housing conditions and acute shortage of decent, safe, and unsanitary dwellings for families of lower income."

As abstract ideas, these policy goals have not changed since 1937. According to Christine Oliver, Chairman of the Board of the National Housing Conference (NHC), the need for safe, healthy and affordable housing clearly remains. Approximately 14 million renter households either pay more than half their monthly income in rent or live in overcrowded conditions according to the 1990 census. Eighty-eight percent of these households have incomes at or below 80% of median and 67% have incomes at or below 50% of median. Future projections conclude that the number of needy families will increase into the next century.

The question before the Committee, therefore, is whether this need can be addressed by retaining the current legal structure of public and Section 8 housing programs. After reviewing substantial evidence and listening to the testimony of housing experts, the public housing industry and residents, the response to the question is no.

II. PURPOSE AND SUMMARY

A. Overview

Today, over 3,400 local entities, called public housing authorities (PHAs), own and operate about 13,200 public housing developments. The inventory includes 1.4 million dwelling units—high rises, garden apartments, town houses and single-family homes. These homes are occupied by 4.3 million families,[2] most of whom stay an average of seven to ten years. There are families, however, who live in public housing for generations, changing a resource from a temporary "way-station" to a *de facto* entitlement. When this situation occurs, the result is "an enormous net-work of welfare-dependent government housing colonies, for which most working families are no longer even eligible."[3]

The relationship between the Federal government and the PHA is contractual. PHAs own and operate public housing in their jurisdictions independently of local municipal governments. In return for Federal payment of the costs of construction, rehabilitation, modernization, and operating expenses, PHAs agree to abide by Congressional statutes and HUD regulations. Over the years, the rules have multiplied, tying in knots even well-run PHAs. Those same rules reward rather than punish inappropriate behavior from both PHAs and residents.

Because of the tremendous pressure and commitment within both the Congress and the Administration to balance the Federal budget by the year 2002, many programs will come under increasing budgetary constraint. The Committee believes that in this environment of diminishing federal resources, housing programs must change in two significant ways: they must be focused through consolidation to provide the most service for the least cost; and they must be tailored to local needs so that limited Federal funding is invested where, through local discretion, it can achieve the greatest return.

For several years, academic experts, state and local governments, and congressional committees have exhorted the Department of Housing and Urban Development to limit growth in the number of programs and focus on those programs that complement its mission. In 1993, the Senate Appropriations Committee listed 206 ongoing HUD programs and declared that such an insatiable demand for additional programs could not continue. In July 1994, under a congressional mandate, the National Academy of Public Administration (NAPA) completed its study of HUD, focusing on HUD's organization. One of NAPA's conclusions was the following:

> The Academy panel's first priority is a legislative overhaul of HUD's programs. Absent this, other changes will bring only marginal improvement in HUD operations. Congress and the executive branch must work together to redefine and consolidate HUD's assorted program menu and

[2] About 13 million families meet the federal eligibility requirements for public housing. The structure of the housing programs, along with receipt of other federal entitlements, create significant disincentive to self-sufficiency. Therefore, while one family is housed, pays low rent, and has access to many services which have nothing to do with housing, another family pays 60–80 percent of its income to rent substandard housing with no access to services.

[3] "Please Abolish My Job, Mr. Kemp: Confessions of Public Housing Administrator," Messenger, Paul H., Policy Review, Winter, 1990, p. 46.

> determine whether some programs can be eliminated. Those that remain should be organized under broad mandates that permit the nation's communities to apply the funds flexibly and reduce the administrative burdens within HUD and among its program users.

NAPA went on to recommend that HUD submit to the office of Management and Budget (OMB) and Congress a comprehensive proposal to reorganize HUD programs and group under them individual activities.

Additionally, in late 1994 HUD's Office of Inspector General (OIG) reported on its review of 240 active and inactive HUD programs. The OIG concluded that many programs warranted serious consideration of elimination, consolidation, or restructuring.

HUD Secretary Henry Cisneros, hearing these admonitions in late 1994, proposed to reinvent the way the Department works and how it serves its customers. A major component of that reinvention was consolidating dozens of HUD's programs into three performance-based funds.

B. Consolidating Programs and Providing Local Flexibility

The Committee believes that too many narrowly focused programs with so many set-asides result in local communities having great difficulty allocating federal resources to respond to specific needs. In turn, limited federal assistance for housing programs is diluted among too many programs, with the programs that provide real housing assistance receiving too little attention and funding.

The HUD Inspector General's report listed 92 programs whose relationships to the Department's primary mission were questionable. Further refinement of the Inspector General's analysis by GAO showed that 27 programs from the IG's list of 92 did not provide direct housing assistance though they received $1 billion in federal funds during 1995. GAO further concluded that these programs—most of which provided useful but indirect services such as housing counseling, training, and technical assistance—could be reassessed to determine their continued need and relative value in achieving HUD's mission.

In order to target federal assistance to the areas of greatest need and provide more flexible use of such assistance to LHMAs, the United States Housing Act of 1995 requires HUD to enter into block grant contracts with eligible housing management authorities. Authorities may leverage and combine block grant amounts with resources obtained from other state, local, or private sources. This increased flexibility ensures that another of NAPA's recommendations—to minimize Washington-based interference in local decisions and partnerships—is achieved.

The United States Housing Act of 1995 authorizes the Secretary of Housing and Urban Development to establish a formula for allocating federal funds in block grants among qualifying LHMAs. The Committee believes that such a formula should be based on needs and costs of housing authorities; however, the Committee also provides in Section 204 of the bill that the formula should reward high performance. The bill also requires that the formula be developed through negotiated rulemaking in accordance with subchapter III of chapter 5 of title 5 of the United States Code.

A major concern of the Committee throughout the drafting of H.R. 2406 was determining how to address those public housing authorities that are chronically troubled or whose management deficiencies are so great that they simply do not have the capacity to manage large block grants. Allowing authorities HUD considers substandard unfettered flexibility to design and run programs with federal funds is unwise.[4] The Committee believes procedures included in this Act to expedite removal or takeover of chronically troubled authorities reduce the likelihood that LHMAs will abuse the trust inherent in the block grant concept.

Moreover, the Committee has established rigorous criteria for establishing a housing authority's eligibility to receive a block grant.

First, an eligible authority must submit a local housing management plan outlined in Section 107 describing most of the operating parameters that define how it intends to provide public housing services. The plan includes the financial resources available to the authority; the authority's policies governing admissions, occupancy, and rent contributions; necessary capital improvements; efforts to coordinate with local welfare agencies to ensure that residents have access to resources to encourage and foster employment and self-sufficiency; and other matters germane to professional operation of a LHMA. The plan must be submitted to HUD for a limited review, but it is not the Committee's intent for HUD to change the priorities of the LHMA except within the narrow parameters provided in the legislation.

Second, an eligible authority must be accredited under Section 433 by a newly created entity called the Housing Foundation and Accreditation Board. The role of the Board is to ensure that authorities are staffed and operated professionally according to appropriate statutory requirements, guidelines, and standards.

Finally, an eligible LHMA must enter into an agreement for cooperation with the local governing body, a carryover requirement from the USHA of 1937. The Committee believes that pending welfare reform and budget reductions made it increasingly necessary for local governments, the LHMA, and community residents to work together using available resources to make public housing a viable part of the broader community.

Historically, housing authorities have been responsible for carrying out federal public and assisted housing programs with little interaction in broader community development activities. This structure has prohibited the full integration of housing authorities into the community. Moreover, the chasm between housing authorities, the local government and the community has increased the isolation of the public housing residents themselves. and has sometimes hampered the ability of housing authorities to obtain other much-needed services for public housing residents. To encourage better integration of the public housing program into the community, the Committee bill provides that the LHMA may submit its local housing management plan as part of the Comprehensive

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[4] Several large urban authorities have performed so poorly that they have remained on HUD's "troubled list" year after year. Troubled public housing authorities are those that can be identified because of serious and substantial failure to perform as measured by performance indicators [§ 6(j)(2) USHA of 1937]

Housing Affordable Strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act.

C. Need for Professional Management

Today, public housing policy is shaped and controlled almost exclusively by the Federal Government. For example, housing authorities do not control the mix of tenants they admit because HUD regulations dictate admission preferences. Additionally, each year PHAs must submit volumes of data to HUD so that HUD can monitor their financial and management performance, despite the fact that the majority of PHAs are adequate performers.

The Committee believes that federal decontrol and accountability are the keys to transforming public housing into a viable resource for low-income families into the next century. Decontrol involves letting LHMAs control their own situation and report to HUD only when absolutely necessary. Accountability requires LHMAs to manage their housing inventory in a manner that is fiscally prudent and that provides clean, safe and health homes. To promote their behavior, the Committee endorses a system of accreditation that will develop professional standards, provide an objective, non-political assessment of how well a LHMA meets those standards, and provide much needed technical assistance in meeting those standards and improving performance. Ultimately, the Committee intends that LHMA's will be judged on the quality of their product and their performance rather than on blind compliance with process-related paperwork.

Each LHMA should be a well-run, professionally-managed real estate operation, accountable to the community it serves and recognized as such by its peers in the industry. Any LHMA that fails to meet this expectation will face competition from other organizations—nonprofits, professional real estate management corporation, or even other nearby LHMAs—more capable of delivering that community's low-income housing services. The current HUD oversight system, which is focused primarily on compliance, is replaced with an accreditation system developed and run by peers of those currently managing public housing, and whose focus is excellence, assistance and continuous improvement.

Less Federal Control and Bureaucracy

The overriding goals of the U.S. Housing Act of 1995 are to return as much decision making and control over public housing to the local level while adding a degree of professionalism and competition through accreditation.

Local officials, residents, and housing practitioners will be responsible for: (1) determining the size, shape, and scope of their assisted housing program; (2) administering that program; and (3) holding themselves accountable to local decision makers and the Housing Foundation and Accreditation Board. This Board, which will consist of housing and real estate management professionals, will be responsible for developing standards, evaluating performance, and providing sound technical assistance so that all LHMAs work to improve their performance. HUD will set broad parameters within which LHMAs will operate, monitor LHMAs to see that they stay within those parameters, provide flexible block grants for ac-

credited LHMAs, and deal aggressively with the small minority of LHMAs that prove to be or become dysfunctional.

The ultimate effect of reassigning responsibilities in this way is to reduce the demands on HUD's bureaucracy while the Department is shrinking. HUD will not be required, nor will it have the authority, to be heavily involved in day-to-day details of LHMA operations. By emphasizing local development and management of operating policies, independent oversight in the form of LHMA accreditation, and consolidation of numerous subsidy programs into a single block grant, the bill minimizes the need for federal bureaucracy and its administrative requirements.

The Committee envisions an administrative apparatus for public housing that is leaner, simpler, and more sensible. HUD will go from issuing subsidy or grant checks for many programs—operating subsidies, modernization, drug elimination, resident programs, demolition/disposition, development, and resident initiatives, and others—to issuing just one for a block grant. Instead of reviewing each LHMA's operating budget, modernization plans, and other management-related paperwork annually during the PHMAP process, HUD will put more focus on LHMAs who are found to be dysfunctional and/or whose plans do not adequately serve the jurisdictions low-income population. At the same time, LHMAs will be transformed from local entities administering a program shaped, funded, and regulated by the federal government, to locally-accountable entities acting as asset managers in a way that meets generally accepted professional standards.

Creation of a Housing Foundation and Accreditation Board

The Committee bill dramatically changes the way oversight of public housing is conducted. This legislation transforms federal oversight from a bureaucratic, paperwork-heavy system focused on compliance with HUD rules and regulations into one that accredits LHMAs, identifies areas where good performers can improve, and offers technical assistance to foster continuous improvement among all LHMAs.

In 1990, the Congress enacted the Public Housing Management Assessment Program (PHMAP) so that HUD could measure PHA performance in nine basic areas of their operations. The PHMAP data, collected annually by HUD, was supposed to differentiate between those PHAs that worked well ("standard" or "high" performers) and those that needed significant management improvements ("troubled" PHAs). Those PHAs that HUD determined to be troubled were subjected to closer scrutiny by HUD, often receiving technical assistance and monitoring intended to raise their scores to non-troubled status. Developments with serious and extreme social and structural problems were deemed "severely distressed" and became eligible for HOPE VI grants of up to $50 million to rehabilitate no more than 500 housing units.

The Committee believes the PHMAP system rewards failure because the most significant attention, assistance, and additional funding a PHA can get often comes only when its condition has deteriorated to the point of being troubled or severely distressed. For example, one PHA executive director testified before this Committee that when his authority was designated as a high performer,

he received a letter of commendation from the HUD Secretary. At about the same time, a nearby, long-troubled authority received a $49 million HOPE VI grant to rehabilitate its most distressed properties.

Furthermore, evidence exists that the PHMAP does not encourage PHAs to engage in continuous improvement (that is, beyond what it takes them to avoid the "troubled" designation). Finally, high performing PHAs are subjected to the same rules, regulations, paperwork, and other reporting requirements applied to standard and poor performers.

The PHMAP has been criticized also because its indicators do not measure the actual quality of housing or the living conditions provided to residents. Furthermore, PHMAP is accused of being inflexible leaving PHAs feeling it is necessary to adapt external standards to their individual, unique operating conditions. Though HUD continues to attempt to revise the PHMAP indicators so they more closely parallel private sector real estate management practices, it is the fear of this Committee and the private sector that PHMAP will remain a tool with which HUD measures compliance rather than performance or improvement.

H.R. 2406 establishes a system of accreditation, similar in concept to those in place for hospitals and universities, intended to reward performance and to improve public housing management as well as federal oversight of public housing in at least three key areas. First, accreditation both eliminates the specific problems with PHMAP and serves as a better tool for fostering and providing incentives for continuous improvement in public housing management. In a conversation with members of this Committee's staff, an official of the primary hospital accrediting organization noted that he believes an important aspect of their role is "consultative and help[ing] to foster improvement," noting that those conducting accreditation surveys "are expected to help hospitals learn how to improve compliance." That help can take a number of forms, ranging from informal advice during the course of an on-site accreditation review to formal, technical assistance services for which hospitals pay a fee.

Thus, hospital accreditation is much more than a PHMAP "pass/fail" system. Even when a hospital receives full accreditation (which most do), it typically receives recommendations for improvement in any number of key areas the accreditors noted during their review. Hospitals then have to address these recommendations by fixing any problems found within specific time frames as a condition of continuing their accreditation.

Second, accreditation offers a measure of professionalism, recognition, and validation for the many LHMAs who now claim they are performing well but have been unfairly painted with the same brush as a few, high profile, long-troubled housing authorities. One key to successful accreditation is developing and utilizing professional standards by industry peers against which everyone in the industry measures themselves. The result is, that not only are the standards more generally accepted—the best practitioners in the industry have helped develop them—but accreditation becomes a badge of honor. In the hospital and university systems, for exam-

ple, accreditation is often a recruiting tool for attracting surgeons, specialists, or faculty members.

Finally, accreditation assures that a LHMAs' continued participation in the public housing program is a privilege, not an entitlement, by substantially broadening HUD's authority when the Housing Foundation and Accreditation Board determines an authority has failed to meet performance standards. At HUD's request and with the strong concurrence of the Committee, H.R. 2406 gives HUD the power to act before an authority becomes troubled by allowing certain actions when an authority is found to be at risk of becoming troubled.

This authority, in comparison to that provided in the USHA of 1937, adds an extremely important and new dimension to HUD's responsibilities. In the past, HUD has simply waited too long to take action when a housing authority repeatedly failed to meet minimum performance standards and remained troubled for years with little sign of or hope for improvement. For example, in testimony before this Committee, GAO has reported that nearly half of the large, troubled housing authorities are among the lowest performers for over a decade—some since 1979 when HUD first began designating poorly performing housing authorities as troubled. The most egregious example of such a housing authority has been Chicago's, which HUD had no choice but to take over earlier this year after its executive director and entire board of directors resigned.

Fortunately, the Committee's bill takes direct aim at the sort of inaction and delay that allowed a situation such as Chicago's to go on for so long by (1) requiring HUD to take over or replace the management of chronically troubled housing authorities—those large authorities that have been troubled for three or more consecutive large authorities that have been troubled for three or more consecutive years; (2) substantially broadening the authority of the Secretary to require remedial or disciplinary actions against authorities that are or become troubled (as determined by the Accreditation Board); and (3) giving the Secretary authority to take action when HUD or the Accreditation Board determines a housing authority is at risk of becoming troubled.

The Secretary has expressed concerns that the accreditation provisions in the Committee bill creates another oversight bureaucracy outside of HUD. However, the Committee bill eventually replaces PHMAP entirely once the accreditation board has been appointed, developed its standards, and begun the business of accrediting housing authorities (PHMAP is only retained in the interim period during the Accreditation Board's start-up). Additionally, the Board may pay for itself by setting up a fee structure to pay the costs of accreditation.

Furthermore, as HUD downsizes its operations to levels advocated in the NAPA Report and to match its budget there simply will not be sufficient numbers of HUD staff—let alone staff with experience as real estate asset managers—to effectively monitor, assess, oversee, and assist 3,400 housing authorities. The accreditation board is, therefore an absolute necessity.

Finally, accreditation of LHMAs will instill in the public housing industry the one element it has lacked for so long—competition. In contrast to HUD's well-intentioned but otherwise meaningless cer-

tificates of merit for high PHMAP scores, an accreditation system will not only recognize high performers, it will provide low performers with an ultimatum: meet the standards the industry agrees are important and improve operations or some other group will be put in charge of your housing authority.

D. Rent Reform

Another area of the law that requires serious reform and reconsideration is the rent structure mandated in the USHA of 1937. According to housing professional organizations like Public Housing Authority Directors Association (PHADA) and the Georgia Association of Housing Redevelopment authorities (GAHRA):

> . . . [D]ysfunctional Federal rent policy decisions have created powerful disincentives to employment and upward mobility. The result has transformed once thriving public housing neighborhoods into welfare ghettos—its residents robbed of opportunity and hope and its social fabric rendered inadequate to cope with challenges like drugs, crime and youth gangs.

H.R. 2406 reforms the existing rental structure significantly focusing on several factors: the value of the real estate, the ability of the family to pay, and the program's goal to serve low-income families. Additionally, the legislation scales back federal control over admissions policies and preferences so that localities can create rental systems that work in their unique circumstances.

Reduced Funding Puts Pressure on Housing Authorities

The Committee heard substantial testimony from HUD officials, public housing residents, and many from public housing industry associations about how desperately rent reform is needed to encourage work and retain work families in public housing. Moreover, concern was raised that current rental policies force PHAs to depend heavily on federal operating subsidies to cover their expenses—a dependence that will only increase. A serious problem is that average tenant incomes have declined dramatically. In 1981, the median income of a tenant in public housing was approximately 30 percent of the area median. Today, the median income is approximately 16 percent. This decline also has triggered the need for increased operating subsidies from HUD to cover costs not paid for through tenant rent contributions. According to GAO testimony before the House Subcommittee on Human Resources and Intergovernmental Relations on February 22, 1995, declining tenant incomes—caused in part by the rent rules and the effect they have concentrating poor people in public housing—have resulted in dramatic increases in operating subsidy needs over the last five to six years. Currently, the need for federal operating subsidies for public housing is over $3 billion per year and rising.

While there has been bipartisan consensus for some time on the effect federal rent rules have had and the need to change them, the urgency to do so is much greater this year as Congress and the Administration work toward a balanced budget. Now, rent reform is a good idea not only because it will do more to encourage public housing residents to work but also because it will be critical to en-

able LMHAs to attract somewhat higher-income families, thereby decreasing dependence on federal subsidies. Furthermore, when surveyed by GAO in the summer of 1995 regarding their responses to likely funding cuts, changing existing rent policy was one of the most important changes PHAs said they needed in order to accommodate the reduced funding. Not only did these PHAs want flexibility to admit tenants with a wide range of incomes, virtually all of them agreed they needed to be allowed to adopt ceiling rents. Such a practice would enable them to retain working families because rent increases would stop once a family's rent is sufficient to cover the costs to the LHMA to operate their home.

Impact of the Brooke Amendment

Currently, resident rent contributions are largely dictated by federal rules. With few exceptions, residents must pay 30 percent of their adjusted income for rent. Consequently, as a family's income increases, the rent it must pay increases as well—in contrast to the private market where rents are determined by market conditions and operating costs.

Prior to 1969, PHAs were relatively financially self-sufficient and did not receive operating subsidies from the federal government. Instead they charged rents, set at minimum and maximum levels, which allowed them to pay normal operating expenses. The rent levels were graduated between the minimum and maximum levels as appropriate for each resident.

In 1969, Congress passed legislation (called the Brooke amendment for Senator Edward Brooke) prohibiting PHAs from charging more than 25% of a family's income for rent. The immediate effect upon PHAs was a dramatic loss in revenue. To make up for this loss, PHAs were often forced to forgo routine maintenance and properties fell into disrepair. The federal government authorized the payment of operating subsidies to PHAs in 1972. Three years later, in 1975, virtually all PHAs required assistance and subsidies were distributed nationwide.

Hoping to curb the increasing reliance of PHAs on operating subsidies, in 1981, Congress amended the Brooke amendment and raised rental contributions to 30% of income. By itself, this amendment was not damaging. However, at the same time, Congress repealed the ability of PHAs to set maximum rent "ceilings." These statutory changes contributed greatly to the destruction of the financial integrity of many PHAs.

Although the motive behind these policies was to encourage everyone to pay their own way, the law had just the opposite effect. Because rents were raised each time a resident found a job or received a pay raise, residents either quit working (or never sought employment), or they left public housing.[5] As working families left

[5] Under the Brooke amendment, assisted families were penalized for working because, for every additional dollar they earned, 30 cents would be taken away in the form of increased contributions toward rent. This high marginal "tax" on earnings, when coupled with reduction or loss of other income support benefits when families increase their earnings from work, created severe disincentives to work. Residents are effectively punished for leaving welfare and trying to better provide for themselves. It is even possible that the Brooke amendment encourages fraud by forcing residents to under report income if they want to get ahead. Even worse, in the case of a low-income family trying to stay together, the Brooke amendment can destroy families by forcing a working parent out of the house because even a low-paying temporary job increases

Continued

public housing, the need for operating subsidies to make up lost income increased. The incentive to work was further eroded when it became apparent that, because of the combination of these laws, some families paid rents that exceeded the value of their apartment.

Under this type of rent structure, some families paid no rent at all because 30% of an income that is $0 is $0; in other words, if a family living in public housing had no income, they were not required to pay rent. Nevertheless, the PHA continued to pay the utilities of the unit, as well as other normal operating expenses like insurance, maintenance, and security which increased the need for operating subsidies. A concurrent problem was that PHAs did not have the ability to project their rental income because it fluctuated with the income levels of the residents. This inability made it virtually impossible for PHAs to estimate their future operating subsidy requirements or to operate and manage their assets in a businesslike fashion.

Substantial evidence exists to show that continuing these rental policies will damage the public housing authority fiscally and its residents both socially and economically. For example, the Public Housing Authorities Directors Association (PHADA) has stated repeatedly that an AFDC recipient who heads a household and chooses to go to work full time at a minimum wage job faces are rent increase that contributes to an effective tax rate of anywhere from 117 to 135 percent. HUD Secretary Cisneros, in testimony before the House Subcommittee on Housing and Community Opportunity on October 13, 1995, noted that working families, because rent is tied to income, must pay higher rents than their apartments would command in the private market, resulting in "residents who would provide the best role models—people who work and who could help others find jobs—often [being] the first to leave [public housing]."

Federal Preference Rules

Any rent reform should be coupled to eliminating federal housing preferences. At their discretion, local PHAs and project owners often adopted admissions policies that gave preferences to certain applicants. At first glance, it is easy to understand why PHAs utilized preferences, particularly in the cases of natural disasters or displacement resulting from federal actions. In 1979, however, Federal preferences were enacted and have expanded over the last decade to include applicants involuntarily displaced, living in substandard housing, or paying more than 50% of family income for rent. The result has been that certain groups of people have moved to the top of waiting lists, ahead of other local applicants for housing.

According to HUD's PD & R 1989 report, "Characteristics of HUD-Assisted Renters and Their Units in 1989", among families that participated in assisted housing programs in 1989, public housing residents had the lowest median household income. Only 35 percent of public housing residents reported their primary source of income was from wages/salaries. Meanwhile, almost 50

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family's rent contribution. Family members have to make the decision to either work and take the increase or leave the family.

percent of residents reported that they received their primary income from welfare, Supplemental Security Income, and/or food stamps.

As part of an effort to make public housing operate more like private, market-oriented housing, the Committee's bill discontinues federal control over rental and admission policies. Like the current practice, LHMAs are authorized to house residents that are low-income (up to 80% of area median income) but may also create mixed income developments. The result will be healthier communities and families that are role models for welfare dependent families.

The Committee's bill eliminates federally-mandated preferences in favor of authorizing LHMAs to develop locally based admission preferences aimed at producing a mix of tenant incomes. The responsibility of designing flexible rent schedules appropriate for each family living in public housing is returned to LHMAs.

Section 222 gives LHMAs authority to create their own selection criteria for incoming residents in order to serve a mixed-income population. Section 225 allows LHMAs to adopt ceiling rents which will enable them to retain working families. The provision also requires that everyone contribute a minimum of at least $25 per month towards their rent (utilities are considered rent for this purpose).

Imposing a minimum rent has two purposes: to promote the philosophy that public housing is not a hand-out or entitlement, it is a hand-up designed to help families during a period of trouble. Second, by allowing a minimum rent, LHMAs are able to craft an operating budget that makes sense and, more importantly, is predictable—a necessary component of any well-run business. Additional provisions mandate that LHMAs consider any relevant factors in setting maximum rents, including the size and cost of operating the units, the residents' adjusted income, and the cost of utilities. LHMAs do not, however, have unlimited discretion to raise rents on working families: HUD is provided the authority to intervene if a significant percentage of residents are paying more than 30 percent of their income in rent.

Although the Committee provides LHMAs with substantial flexibility in creating development-specific rent schedules and adopts the solutions LHMAs need to adjust to reductions in federal operating subsidies by encouraging work and retaining working families, the Committee does not intend that LHMAs serve only a higher income clientele. Therefore, to ensure that very low income families retain access to federally assisted housings, the legislation provides that 25% of an LHMA's public housing inventory shall be designated for families whose incomes do not exceed 30 percent of the area median income.

Some may argue against reforming existing rent rules, raising the specter that large LHMAs will either (1) serve fewer low-income people by setting their minimum rent too high, or (2) gouge working families when the private rental market is expensive and overcrowded. Though the Committee understands these concerns, specific provisions in this legislation are designed to prevent them by providing HUD with sufficient information to alert them to abuse and allowing the department to intervene when appropriate.

In addition to the 25% set-aside for extremely poor families, if at any time HUD determines that less than 40 percent of a large LHMA's units are occupied by households with incomes at or below 30 percent of the area median, the Secretary may review the LHMA's minimum rent policy to determine if it is appropriate and is serving the needs of the area's low-income population. If the policy is not appropriate, HUD may require the LHMA to modify its minimum rent policy. Additionally, the Secretary may intervene if HUD determines a significant percentage of residents are paying more than 30 of their income in rent. These provisions, therefore, allow the Secretary to balance the need to protect extremely poor families who have no other alternative but to live in federally-assisted housing, with the need to have fiscally viable properties and working-class role models.

E. Creating Opportunities for Residents

Self-Sufficiency Programs

As ably stated by the housing expert, Anthony Downs:

> [l]iving in adequate housing is central to the well-being of every person and household, yet for most people, housing is the most costly element of their living standard. Consequently millions of households with low incomes cannot afford to occupy 'decent quality' housing if they must rely solely on their own resources.[6]

Therefore, providing rental housing assistance—within budgetary constraints—is extremely important to aid families and individuals seeking affordable homes that are safe, clean, and healthy.

The Committee believes housing is a fundamental component of bringing true opportunity to people and communities in need. However, as set forth in the declaration of policy, the Committee also recognizes that merely providing the means to house low-income families is not a panacea that will pull every family and individual up from poverty.

For decades public housing and Section 8 housing assistance sought to alleviate housing problems, but these programs operated in a vacuum with little direct involvement assessing the social and economic needs of assisted families. Assisted families received housing assistance with little or no expectation that they attempt to gain the education, job training, and work skills needed to better themselves. This situation began to change in the late 1980s with two limited HUD demonstration programs—Project Self-Sufficiency and Operation Bootstrap—provided through HUD's Section 8 certificate and voucher programs. These demonstrations provided housing assistance, but as a condition of receiving such assistance, assisted families were required to enroll in programs that fostered self-sufficiency and economic independence.

These demonstrations were followed by the enactment of the Family Self-Sufficiency (FSS) program, authorized by the National Affordable Housing Act of 1990. The FSS program attempted to link housing assistance with other needed services—education, job

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[6] Anthony Downs, "HUD's Basic Missions and Some of Their Key Implications," *Cityscape: A Journal of Policy Development and Research*, HUD. Vol. 1, No. 3, Sept. 1995.

training, work preparation, child care and transportation—assistance to promote self-sufficiency and economic independence for participating families. It also provided financial incentives, such as establishing escrow accounts that would be returned to participants when they successfully completed their programs, and for terminating assistance when families failed to follow through on their obligations.

The FSS program, while well intentioned, was limited in scope: program size was limited to the cumulative number of incremental public housing and Section 8 certificate and vouchers received after enactment. It did not encompass the nearly 3 million families and individuals already receiving HUD rental housing assistance. Additionally, the program was bound by a plethora of rules and other guidance created by the underlying legislation and HUD rulemakers.

Nevertheless, many housing authorities have chosen to sponsor FSS initiatives designed to provide their residents with access to the resources they need to leave public assistance. The Committee commends these authorities for their resourcefulness. For example, at the Omaha Housing Authority, full-time coordinators work to secure child care, transportation, vocational training, education and employment opportunities for participants in the self-sufficiency program. Staff works with families to develop a contract which guides their progress over time. In addition, the coordinators work with other agencies to secure the necessary supportive services. The OHA works cooperatively with the Nebraska Department of Social Services which provides assessment and case management to at least 400 AFDC and Food Stamp recipients who reside in public housing. After the assessment is complete, Case Facilitators develop a personalized plan to help those individuals leave the welfare rolls.

H.R. 2406 reemphasizes the need for housing assistance to be provided as part of a well thought-out approach by the LHMA to enhance the economic and social well being of assisted families and, where appropriate, help break the shackles of poverty and dependence.[7] In this regard, the bill makes several fundamental changes to the way that current housing law has promoted—or not promoted—self-sufficiency.

Section 106 of the bill builds on the Omaha experience by requiring (with the exception of the elderly, students, persons who are working or in training, or who have disabilities or are otherwise physically impaired) each adult member in a family receiving assistance through public housing or through choice-based rental housing, agree to contribute not less than 8 hours of work per month within the community in which the family resides. As an alternative, physically-able adults may agree contractually to participate in an ongoing basis in a program designed to promote economic self-sufficiency.

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[7] The Committee recognizes that, for many assisted families, moving toward self-sufficiency and economic independence may not be appropriate. For example, in a report to this Committee, the GAO reported that over one-third of assisted families are elderly (65 years or more). For others especially those with little education or little prior attachment to the work force, the process may require long-term assistance. For example, GAO reported that only about half of the assisted households have high school diplomas and about 21 percent had completed 8 or fewer years of education. See HUD-Assisted Renters (GAO/RCED–95–167R, May 18, 1995).

Section 107(b)(11) requires that LHMAs, as part of their local housing management plans, describe how the authority will coordinate with State welfare agencies to ensure that public housing residents and families assisted through choice-based housing will be provided the access to resources to assist in obtaining employment and achieving self-sufficiency. Under this provision, LHMAs are given the latitude to develop initiatives and use innovative techniques to foster service delivery without detailed direction from Congress or HUD. Finally, Sections 225 and 322 allow LHMAs to set rents that encourage self-sufficiency for families assisted through public housing an choice-based housing.

Homeownership Opportunities

One of the Committee's continued goals is to encourage homeownership by as many American families as possible. The Committee's bill gives LHMAs the authority to create and implement resident homeownership programs to encourage public housing families and families eligible for public housing to become owners of their own homes by purchasing existing public housing units and other housing projects available for purchase by low-income families.

Over the past 12 years HUD has had extensive experience with public housing homeownership. This provision builds on that experience and is designed to encourage development of a wide variety of approaches to the sale of public housing to residents. It is the Committee's belief that creative solutions to various issues associated with these sales can best be developed at the local level, by people most familiar with the particular local situation. Therefore, the Committee bill sets forth certain basic requirements which all applicants must meet, but leaves most issues open to local solution. In particular, each family is required to put down not less than 1 percent of the purchase price from its own resources as a downpayment. However, a family is permitted to use grant amounts, gifts from relatives, contributions from private sources, and similar amounts as downpayment amounts. The provision also allows the authority to recapture funds from the resale of dwellings bought by a purchaser with government assistance. Purchasers who sell a dwelling after purchase are required to refund any financial gain in excess of the original purchase price they received from the sale of the property. After five years, homeowners must provide a refund for the assistance they received from the local authority.

Resident Opportunity Program

To further emphasize the goal of creating opportunities for residents, the Committee bill includes a Resident Opportunity Program. This provision builds upon the current Resident Management Technical Assistance and Training Program which funds resident councils, organizing efforts among public housing residents, and Resident Management Councils. As a means of improving existing living conditions in public housing developments, this program provides increased flexibility for developments that are managed by residents by permitting the retention of, and use for certain purposes, any revenues exceeding operating and project costs. The Committee intends that residents should be rewarded for their

successes by further investing excess operating income for project purposes, including job creation.

The program is intended to build the capacity of public housing residents to participate in their own self-sufficiency and economic improvement through the organization of residents and resident councils. And it is meant to broaden opportunities for public housing residents to teach job skills and widen employment opportunities, including their own small businesses.

However, the Committee is concerned with the potential waster of scarce public housing resources on questionable resident training activities and travel expenditures funded through HUD's Tenant Opportunity Program (TOP). In particular, on November 9, 1995, the House Subcommittee on Human Resources and Intergovernmental Relations examined evidence that HUD approved TOP funds for a public housing tenant convention in a Puerto Rico resort hotel and casino billed by its sponsors as ''a vacation that will be unforgettable.'' Evidence exists that several programs were clearly political in nature. The TOP Notice of Funding Availability clearly states in the list of eligible and ineligible activities that the TOP grant may not be used for entertainment or lobbying purposes. Accordingly, the Committee continues to monitor the Human Resources Subcommittee's ongoing investigation and will pursue its own inquiries into what appears to be a fundamental weakness in HUD's management of tenant training funds.

Nevertheless, the Committee is aware of numerous successful resident-managed public housing developments throughout the country. Recognizing these successes, the Committee maintains the Resident Opportunity Program as a separate program for fiscal year 1996. However, it is the Committee's intent that after fiscal year 1996, the Resident Opportunity Program become integrated with the public housing block grant authorized in section 201. The Committee notes that Section 203 includes resident management activities as an eligible purpose of block grant funds. The program is authorized at $15 million for fiscal year 1996.

F. Promoting Mixed-Income Developments

The impact of many Federal mandates has been to overconcentrate low-income families and individuals in public housing with neither role models, networks, nor adequate opportunities to improve their lifestyle. The initial intent of the public housing program was to house the working poor. Yet, the Committee notes that over time legislation and subsequent federal regulations—for example, the Brooke Amendment, eliminating ceiling rents and the institution of federal preferences—have forced public housing authorities to admit a larger proportion of very low-income persons. As a result, working poor families have been forced to move from public housing.[8]

Attracting higher-income families and promoting mixed-income developments is a sound approach to saving our communities by providing residents with stable infrastructure and economic opportunities, and is a key component of H.R. 2406. The Committee's

[8] Michael Schill ''Distressed Public Housing: Where Do We Go From Here?'', University of Chicago Law Review (Spring 1993)

bill promotes mixed-income conditions by repealing federal regulations that prescribe strict occupancy preferences and deregulating well-run public housing authorities.

Creating mixed-income developments has two purposes: the first is to provide role models and a neighborhood infrastructure that enables residents to move into employment and self-sufficiency. Unemployed families in mixed-income developments can use working families as role models, and the presence of working families promotes the development of needed economic and community institutions—schools, stores, churches. The second purpose is to increase the amount of rental income generated by persons who live in public housing. The increased income is generated by admitting higher-income families that can afford to pay higher rents. This practice enables LHMAs to be less dependent on HUD and the taxpayer for expensive operating subsidies.

HUD Secretary Henry Cisneros testified before the Senate Committee on Banking, Housing, and Urban Affairs on September 28, 1995, that three of the key structural consequences of the existing public housing program are that (1) public housing concentrates the very poor, (2) public housing itself is concentrated in high poverty neighborhoods, and (3) federal laws penalize public housing tenants who work. The National Commission on Severely Distressed Public Housing stated in 1992 that:

> Federal statute-mandated preferences, income standards, and rent-to-income rations have effectively excluded that 'working poor' [from public housing] . . . and that authorities should be allowed to admit residents based on a range of eligible income levels to promote a higher level of economic activity within public housing communities.

The necessity to create mixed-income environments has been illustrated by researcher William Julius Wilson in his widely-noted 1987 books, The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy in which he refers to the concept of mixed income as creating a "social buffer" which is:

> The presence of a sufficient number of working- and middle-class professional families to absorb the shock or cushion the effect of uneven economic growth and periodic recessions on inner-city neighborhoods . . . the removal of these [higher income] families made it more difficult to sustain the basic institutions in the inner city (including churches, stores, schools, recreational facilities, etc.) in the face of prolonged joblessness. And as the basic institutions declined, the social organization of inner-city neighborhoods (defined here to include a sense of community, positive neighborhood identification, and explicit norms and sanctions against aberrant behavior) likewise declined . . .[.]
>
> It is true that the presence of stable working- and middle-class families in the ghetto provides mainstream role models that reinforce family structures. But, in the final analysis, a far more important effect is the institutional stability that these families are able to provide in their neighborhoods because of their greater economic and edu-

cational resources, especially during periods of an economic turndown—periods in which joblessness in poor urban areas tends to substantially increase.

The Committee believes these arguments clearly state the need to develop more mixed-income developments. H.R. 2406 has been fashioned to achieve the goals of building strong resident populations that are supported by a safe and structurally sound neighborhood. For example, the legislation allows housing authorities to rent privately-developed homes in the neighborhood surrounding a public housing development to public housing applicants if increased rental income is derived from a mixed-income development.

This approach is similar to the Mixed Income New Strategy Communities (MINCS) program which was authorized by Section 522 of the National Affordable Housing Act (NAHA) of 1990 (P.S. 101–625, approved November 28, 1990). The purpose of the MINCS program was to test the effectiveness of promoting the revitalization of troubled urban communities through the provision of public housing in socioeconomically mixed settings. Under MINCS, PHAs were allowed to admit tenants who could pay rents high enough to fully cover average PHAs' costs per unit. The resulting ''savings'' in operating subsidy was to be used by the PHA to defer the costs of at least an equal number of very low-income tenants in economically mixed and newly built or renovated privately owned projects. Despite the program's promise, the Chicago Housing Authority was the only PHA authorized to implement the MINCs program. Consequently, some low-income families were admitted to Chicago's Lake Parc Place development and currently pay rent that covers substantially the costs of operating their apartments.

At this development, new systems have created a safe environment and a strong resident population. Unlike every other Chicago public housing project, adequate storage space, wooden cabinets in the kitchen, vanities and showerheads in the bathrooms and doors on the closets are standard fare. Eligible public housing families that work can take advantage of ceiling rents that stabilize their rent contributions. A percentage of the units are set aside for working families and for carefully screened public housing residents. The development costs of the market rate units are supported by their rents, while the development costs of the low income set aside units are bought down through a combination of subsides such as low income housing tax credits, the provision of vacant land or abandoned buildings owned by the City and local property tax abatement. Ongoing management responsibility for the development rests with the private owner.

G. Troubled Public Housing and Severely Distressed Developments

Troubled public housing authorities, especially large authorities, have persistently plagued HUD's public housing program. The relative handful (less than 100) of truly poor performing PHAs give the remaining 3,300 a bad reputation. Thirteen of the 100 largest housing authorities operate most of the distressed, dilapidated, and boarded up housing stock. And of these 13 troubled housing authorities, 5 have been troubled since 1979 when HUD began keeping track of such performance. Because of the excessive cost and poor housing services associated with troubled authorities, the

Committee and the Administration believe it is crucial to develop a strategy to deal effectively with incorrigible PHAs.

A condition that contributes significantly to a troubled authority's problems is a high vacancy rate. Although public housing vacancies nationwide average about 8 percent (approximately 100,000 units), the GAO reported that 27 large housing authorities account for about half of the vacant units. In other words, vacancies tend to be concentrated in relatively few places. Furthermore, vacancies generally are not evenly distributed within specific housing authorities. GAO reported that at 41 housing authorities managing 70 developments with vacancy rates exceeding 70 percent, 57 of the 70 developments contained almost 1200 buildings that were completely vacant.

However, if these or other housing authorities try to demolish or sell off any of their vacant or uninhabitable buildings, by law they must replace the housing units on a one-for-one basis with new or other viable housing or provide equivalent rental assistance to the tenants (although the 1995 rescission bill established a temporary reprieve from this requirement). Lack of money is not the only problem. When the PHA plans to demolish or dispose of deteriorated public housing, federal regulations require HUD approval of both the PHAs application for demolition or disposition and its plan to replace the housing. Extensive documentation and plans must be included with any such application. The approval process is lengthy and in the past has sometimes taken years.

Coupled to the one-for-one rule are site and neighborhood standards, designed to ensure minority and low income families are provided with housing opportunities outside of housing market areas to which they have been traditionally limited. According to HUD regulations, proposed sites where public housing developments will be constructed or rehabilitated must meet strict standards. These standards present huge barriers to provide decent housing. PHAs in cities with large proportions of minority groups are effectively precluded from building new housing. PHAs in other cities cannot build because of the high cost of acquiring land that meets the standards and does not pose undue difficulties in reaching agreements with existing community groups about locating assisted persons in their neighborhoods.

In combination, these two provisions contribute to the continuation of severely distressed sites as well as to financial waste.

> The U.S. is losing millions of dollars by subsidizing vacant units in large public housing authorities because the buildings can't legally be torn down. In Philadelphia, . . . the U.S. has paid $7.9 million to maintain largely vacant units in a complex of eight buildings. In another project in that city, the debate over what to do about two vacant high-rises containing 448 units has lasted for 18 years. In Cleveland, the U.S. has paid $47 million in the last seven years to maintain vacant units, which the housing authority was losing $2.4 million a year that would have come from renting the units . . .[9]

Section 18 of the USHA of 1937, better known as the one-for-one replacement rule is an underlying cause of excessive vacancy rates.

[9] The Wall Street Journal, p. A2, March 22, 1994.

As GAO has reported, significant problems of retaining nonviable public housing are excessive operating costs and the crime and vandalism associated with vacant public housing. To substantiate these findings HUD's Inspector General has concluded that the one-for-one requirement, along with national site and neighborhood standards that purports to protect against overconcentrations of low-income people, is responsible for the increase in vacancy rates from 5.8 percent in 1985 to today's 8 percent.

Of even greater concern to the Committee, however, are the number of families that have no choice but to live under these deplorable conditions. It is inconceivable that the federal government subsidize properties that are nothing more than slums. However, the costs to rehabilitate these properties to a point where they are safe and healthy are astronomical. In fact, a study conducted for the National Commission on Severely Distressed Public Housing stated that the backlog of modernization needs was as high as $28 billion. Some of this need can be eliminated simply by demolishing and/or selling obsolete developments.

Therefore, the Committee's bill eliminates the one-for-one replacement statute and allows LHMAs to rebuild housing on existing public housing sites. Consequently, federal funds are saved because housing authorities can begin to use scarce modernization dollars to maintain viable buildings and systems rather than propping up hundreds of obsolete buildings. And to the extent that high vacancies have a negative effect on the performance of many large urban housing authorities, these authorities are no longer required to maintain developments that are not cost-effective and, in fact, are draining the authorities of precious resources.

Demolition, however, cannot be accomplished indiscriminately. LHMAs must prove the demolition is in accordance with the local housing management plan for the authority, discussed in Section 107 of the bill.[10] Capricious demolition, demolition for purposes of gentrification, or demolition otherwise inconsistent with a housing authority's long-range goals, is unlawful.

Second, a LHMA may demolish or dispose of public housing only if it satisfies one of several criteria which, if met, ensures that the action is necessary either to protect the residents' well-being and interests, conserve the housing authority's resources, or rid the authority of housing that is obsolete or cannot be rehabilitated cost-effectively.

These changes, in conjunction with other regulatory relief, will enable the industry to resolve the problems of funding, occupancy, maintenance, and crime before they strangle the provision of housing assistance. Housing authorities must have the authority to eliminate their most costly and distressed stock.

Finally, the federal government must be provided an effective means of identifying chronically poor performers and denying them funding if they cannot improve their performance. In its Reinvention Blueprint, HUD requested significant new powers to handle chronically troubled PHAs. While H.R. 2406 authorizes these powers, the legislation also provides significant new sanc-

[10] Section 107 requires that each management plan include a 5-year plan describing the mission, goals, objectives, and capital improvements envisioned by the local authority.

tions that HUD can invoke against those authorities that are not managing their properties appropriately. One of the most significant of these sanctions is the provision of authority to withhold Community Development Block Grant (CDBG) funds from a city or entitlement community if that entity has substantially contributed to the troubled status of the authority.

By the clear language of the statute, the Committee does not expect this sanction to be used indiscriminately nor is it meant to subsidize the level of an LHMAs block grant. However, the Committee does intend that the Secretary consider wielding, and in appropriate cases imposing, this sanction against those entities that contribute substantially to the troubled status of a housing authority. This provision is not intended to affect communities which receive CDBG funds through the county in which they are located if those communities have not contributed to the conditions at any troubled housing authorities in the county. The Secretary shall ensure that a process exists whereby communities located in a county subject to CDBG sanctions under this section may petition for continued CDBG funds.

Obviously, the Secretary must weigh the circumstances of each case before levying this sanction and using it to penalize bad actors. For example, evidence has been presented to this Committee that some localities did not provide adequate city services to public housing developments.[11] Other evidence shows that promised sites did not materialize because of disagreements between the city and the PHA. These actions exacerbate the problems of a troubled authority and are unacceptable.

Finally, H.R. 2406 mandates that HUD "takeover" any housing authority that has been troubled for three years or more. The Committee is pleased that recently HUD has been far more aggressive in beginning to overhaul those PHAs that are systemically troubled. Historically, however, HUD has made limited use of the authority it has to take action against troubled authorities. H.R. 2406 ensures that HUD act quickly to take over bad managers.

The legislation also allows HUD to expand the use of private and resident managers, to break up and decentralize large troubled authorities, and to consolidate small, rural authorities. HUD may utilize competitive bidding in troubled PHAs to lower the costs of management and to spur an environment of competition. All of these tools are provided with the expectation that HUD use them aggressively.

The Committee opted to retain a severely distressed public housing program for one year that is similar to the HOPE VI Urban Revitalization Demonstration (URD) program. In its 1994 Reinvention Blueprint, HUD acknowledged that these properties contribute to the physical decline of and disinvestment in the surrounding neighborhoods and suggested major reforms to the URD program, including more widespread use of vouchers and neighborhood planning.

Section 262 affirms this concern, and provides housing authorities with far more flexibility and latitude to utilize these grants

[11] It is important to note for the record that housing authorities make in lieu of tax payments to city governments with the expectation that they are going to be served by adequate public services.

creatively. Housing authorities are encouraged to identify severely distressed properties and demolish them as quickly as possible. Displaced families may be provided with voucher assistance and the authority may choose whether to rebuild the property by entering into new partnerships with the private sector and local governments. If the choice is to rebuild, LHMAs must show their commitment to the redevelopment by matching the revitalization grant from HUD with an amount of no less than 5%. It is the hope of this Committee, that these reforms to the URD program will produce a healthy urban landscape and promote economic opportunities.

H. Choice-Based Assistance for Displaced Tenants Rather Than Across-the-Board Vouchering Out

Administration's Rationale for "Vouchering Out" Public Housing

HUD's proposal to voucher out its public housing inventory and make it compete with privately owned housing was a major component of its Reinvention Blueprint. Accordingly, the proposal was consistent with the underlying principles presented in that Blueprint, including that low-income families should have greater power to make decisions about their lives; decision makers at all levels should have maximum flexibility to design and utilize Federal resources, consistent with national objectives; and HUD resources should be used to end the physical and social isolation of low-income people by linking distressed communities with regional housing and labor markets. If HUD's plan were implemented as proposed, federal assistance would flow to households as certificates rather than to public housing authorities. According to HUD, this shift in policy would result in significant savings and address fundamental problems with the current public housing program, including (1) residents' lack of choice, (2) instances of overconcentrations of poor people, and (3) a lack of discipline in the management of public housing because of its insulation from the marketplace.

In the Blueprint, HUD also recognized that public housing authorities currently do not have the flexibility to demolish the worst housing stock in their portfolio. Part of HUD's rationale in integrating market discipline to their transformation proposal was that market forces would clearly identify properties that should be demolished. Consequently, under the Reinvention Blueprint, public housing authorities would have had much greater discretion in terms of deciding which properties to modernize and which to demolish.

GAO Tested HUD's Assumptions

To determine how HUD's proposal to voucher out the inventory would play out in specific public housing developments, the Committee asked the GAO to obtain cost and condition data from a number of public housing authorities. GAO tested HUD's calculations that the average monthly cost to house a low-income family using a housing voucher was about $440 per month compared to $481 in public housing, saving roughly $40 per month. Over the 1.3

million families served by public housing, this purported savings would run into millions of dollars.

GAO pointed out, however, that on the basis of data it collected and analyzed, these averages do not reveal the wide differences in the cost of these tow options at individual public housing developments. For some developments, the current average cost to provide public housing is less than half that of housing vouchers. However, for those public housing developments in the worst physical condition, the reverse is true.

As GAO noted, these wide variations in cost raise a number of important issues, including whether the federal government should pay to rehabilitate public housing developments, as proposed by HUD, when the properties' rental revenues could finance these expenses, and whether housing vouchers should be targeted to public housing developments that are clearly cost-effective. Other policy issues raised by GAO's analysis were how to allocate initial federal subsidies to public housing authorities, given the wide diversity in market value of their existing portfolio. Also, what constraints, if any, should be placed on public housing authorities for revenues that could be generated from properties whose market value is substantially above their operating costs?

GAO concluded that HUD had not done the detailed analyses necessary to address these and other policy issues. Consequently, GAO suggested that before adopting the proposal public housing authorities should analyze individual properties, taking into account their rehabilitation needs, operating costs, and market values, a suggestion echoed by the HUD Inspector General. If such an analysis were done on a property by property basis, as mandated in H.R. 2406, the merits of HUD's proposal could be better evaluated, the allocation of future federal subsidies to public housing authorities would be improved, and the necessary information would be available to address the other policy issues raised by GAO. Based on these findings, the Committee concluded it was premature to voucher out public housing on a wholesale basis.

After considerable debate on this issue, the Committee has decided that a cost test ought to be conducted by LHMAs on their properties. If the costs of maintaining a conventional public housing development are greater than the costs of private sector rental units, the housing authority is required to convert that portion of their inventory to choice-based rental assistance or take appropriate improvement measures as approved by HUD. Not only does this mandate lead to lower public housing expenditures, it forces LHMAs to identify those properties which are drains on their limited resources. The Committee, HUD and others agree that the focus should be on distressed properties for conversion to vouchers to target the most serious instances of excessive PHA cost and inadequate resident choices.

Neither this Committee, GAO nor others disagree with HUD's proposition that vouchering out public housing would provide residents greater choice. However, effective choice in housing depends on many factors, including families' inclination to move, the housing availability in specific markets, a landlord's willingness to accept tenants with housing vouchers, and the extent to which housing discrimination laws are followed and enforced. As a case in

point, it is highly unlikely that many elderly and disabled residents, who comprise about one-third of the public housing tenants, will chose to move from their homes. Also, for vouchers to succeed, housing must be available, and availability is very much market specific. For example, the vacancy rate in markets such as New York City, where about 11 percent of the nation's public housing is located, is less than one-half the national rate. Providing a voucher in this area would be useless.

Furthermore, some of the current Section 8 program requirements relating to admissions and terminations are objectionable to private landlords, and have contributed to the dearth of affordable private housing for low-income families. Finally, discrimination in the rental market is an issue that is difficult to quantify, but to the extent that housing discrimination laws are followed and enforced, residents' choice will be encouraged.

I. Deterring Crime in Public Housing

Added Protection Against Drug and Alcohol Abusers

Since the 1980s, public housing has become the "housing of last resort," housing the nation's very poor along with the disenfranchised. Most residents are law-abiding citizens trying to live peacefully and seeking a healthy community life. However, increasing crime has made it extremely difficult for families in public housing to create a normal environment within which to raise their children or to live peacefully on fixed incomes. These residents, whether they are young families or elderly people, find themselves victims of crimes that are frequently committed by persons abusing alcohol or drugs. Crime persists as our nation's dominant fear, and because of the increase in the crime rate in public housing due to increases in alcohol and drug abuse, particularly crack cocaine abuse, the Committee's bill curtails the admission of drug and alcohol abusers to public housing and choice-based housing.

While crime in the most severely distressed developments makes the most lurid news, no public housing development is immune from the problems arising from alcohol and drug abuse. According to a 1988 NAHRO survey, 55 percent of public housing authorities said that they had a drug or alcohol problem. The problem was especially prevalent among the largest authorities—77 percent reported drug and alcohol problems. Forty-five percent of small PHAs reported such problems. Although this survey has not been updated, the Committee believes conditions have worsened since 1988. Public housing residents, who themselves are in need of social and support services, tend to be more vulnerable to the activities of gangs, drug dealers, and other negative elements.

Clearly, drug and alcohol related crime has not only a profound destabilizing influence on the residents, but it also takes a toll on public housing property. Substance abusers violate the rights of other persons, intimidate them, damage property, and create the need for costly maintenance. In turn, deteriorated and dilapidated property attracts substance abusers, who occupy the property or operate their drug business from it. This behavior exacts an extraordinary physical cost in terms of increases in permanently abandoned projects, additional personnel, and greatly expanded in-

vestment in substance abuse counseling and education. Caught within this web are the victims—the public housing residents.

The cycle of substance abuse, crime, and property deterioration has escalated dramatically for more than a decade. A 1982 President's Commission on Housing Report does not even mention alcoholism, drug abuse, or crime in its chapter dealing with problems in public housing. Six years later in 1988, the Congress passed the Public Housing Drug Elimination Act as part of the Anti-Drug Abuse Act of 1988 (P.L. 100–690). This act authorized PHAs to evict tenants involved, either directly or indirectly, in any drug-related criminal activity on or near the public housing premises. A year later, the Congress established the National Commission on Severely Distressed Public Housing. In its 1992 report, the National Commission recognized that one of the defining characteristics of severely distressed public housing was serious crime and the crime was more often than not accompanied by drug and alcohol abuse.

The Committee is concerned that these measures, while well-intentioned, have not been sufficient to address the crime in public housing. Therefore, provisions of this legislation make it easier for LHMAs to evict persons with drug or alcohol-related problems. Likewise, the Committee bill allows LHMAs to provide services to substance abusers seeking rehabilitation. The intent of Section 105 is to protect the majority of public housing residents—those law-abiding families and individuals seeking affordable homes that are safe, clean, and healthy—from being subjected to substance abusers.

The legislation allows LHMAs to establish standards for occupancy in both the public housing and choice based rental assistance programs that prohibit admission by any person that is either currently illegally using a controlled substance or whose history of drug or alcohol abuse provides reasonable cause for the authority to believe that occupancy by such person may interfere with the health, safety, or right to peaceful habitation by other residents. With this provision, the Committee also recognizes that the successfully rehabilitated individual, if eligible, also has a right to residency and may obtain admission to public housing, given proof of successful participation or completion of a supervised drug or alcohol rehabilitation program.

Because LHMAs are not experts in the epidemiology of treatment of substance abuse, the Committee recommends they consult with community experts, including but not limited to public health officials, treatment specialists, social/welfare workers, mental health professionals, and safety personnel in developing their occupancy standards. These standards form the basis for determining how and when individuals can be excluded from occupancy based on their history of abuse. It is not the intent of the Committee to punish individuals with successful treatment histories; therefore, the standards should provide for consideration of appropriate treatment protocols, social and family history as well as duration of use.

Designated housing—balancing the need of elderly and disabled

Section 227 of this legislation authorizes designated housing for elderly and disabled families. LHMAs may designate specific developments or portions of developments for occupancy by (a) elderly families only, (b) disabled families only, or (c) elderly and disabled families.[12]

Mixing disabled and elderly residents in the same living space has created numerous problems. Many elderly residents who anticipated a quiet, all-elderly environment are frightened and disturbed by younger residents who tend to have different lifestyles. Conversely, young disabled people in these elderly developments complain that their elderly neighbors treat them with suspicion and resentment.

In 1992, the GAO reported that 31 percent of nonelderly persons with mental disabilities caused moderate or serious problems to their elderly neighbors, including threatening them and having disruptive visitors. GAO also found that alcohol abuse among the nonelderly disabled people living in elderly developments was a significant problem for 20 percent of all PHAs and 40 percent of all large PHAs.

In response to these findings and other complaints, the Congress rewrote the laws regarding mixed populations in Title VI of the Housing and Community Development Act of 1992 (HCDA of 1992) [P.L. 102–550]. Under Title VI, PHAs and federally assisted apartment owners could designate certain buildings as ''elderly only'' if the owners implemented a plan to provide alternative housing for those non-elderly residents who were eligible for federally assisted housing and met the eligibility requirements of the Americans With Disabilities Act. That legislation, however, was very clear that current non-elderly residents could not be evicted without cause and that neither PHAs nor landlords could leave units vacant for excessive periods of time while seeking eligible elderly tenants. Title VI further provided that if an elderly tenant could not be found for a vacant unit after a pre-determined period of time, then the unit must be filled with the next eligible disabled persons on the waiting list.

According to the HUD Inspector General, both the statute and HUD's rules implementing Title VI have proven overly burdensome and complicated for PHAs attempting to receive ''elderly only'' designations. In fact, only 10 plans have been approved by HUD since 1992.

The Committee believes that Title VI of the HCDA of 1992 is flawed, and proposes that Section 227 rectify that flaw in several important ways. First Section 227 grants LHMAs greater flexibility in designating their developments ''elderly population to live in security and with less fear of crime or other dangers. Second, the provision permits LHMAs to fill their designated elderly-only developments with near-elderly families rather than younger people with disabilities, if there are insufficient numbers of elderly families to fill all the units. Finally, the statute prohibits occupancy in des-

[12] This provision is similar to section 3 of H.R. 117, ''Senior Citizens Housing Safety and Economic Relief Act of 1995.''

ignated units by individuals who currently illegally use a controlled substance or who have a history of such use so that the LHMA would believe that the such a person may interfere with the health, safety, and right to peaceful enjoyment of the premises by other residents. In recognition of the desirability in many cases of providing separate housing for the elderly without diminishing the housing resources available to younger disabled people, subsection 306(b) authorizes funding for FY97 for housing authorities to provide housing for the disabled in cases where needed because the authority has designated buildings once available to the disabled as elderly only.

Availability of Criminal Records

The Committee is keenly aware of the concerns expressed by both PHAs and residents that public housing must provide safer and secure living environments. Therefore, Section 224(b) preempts State and local law and overrides other Federal laws to enable LHMAs to obtain information on the criminal records of applicants for, and residents of, public housing for the purpose of applicant screening, lease enforcement, and eviction. However, access to criminal records for persons under the age of eighteen is prohibited. In addition, another valuable Federal data base—the National Crime Information Center (NCIC)—may be accessed by LHMAs. LHMAs are authorized to pay a reasonable fee for this information.

Current regulations (24 CFR Part 860) direct PHAs to avoid admitting families that have the potential to damage the social or financial stability of developments. Police departments are specifically cited in the regulations as sources of information PHAs may contact. Similarly, in 24 CFR Part 966, PHAs are directed to have lease provisions that make criminal activity grounds for eviction.

The Department has advised the Committee that these requirements are difficult to carry out. The problem is that in some localities the police departments are either uncooperative or are barred by State law and local ordinances from providing criminal records. In the State of California, for example, the only persons with access to police records are police departments and then only for law enforcement purposes.

The Committee is also mindful of the need to protect residents and applicants from the unfair actions of LHMAs; therefore, provisions pertaining to confidentiality, penalties, and civil action against the administering agency are included. Importantly, the provision also ensures the confidentiality of the identity of victims of domestic violence who reside in public housing.

Operation Safe Home

The Committee commends HUD and the Office of Inspector General (OIG) for the success of the Operation Safe Home Program in combating violent crime in public and assisted housing. Section 274(b) authorizes an annual appropriation of $700,000 for fiscal years 1996–2000 for assistance in relocating residents of public housing who have witnessed violent criminal activity and fear reprisals from criminals as a result of their testimony or other assistance they provided to law enforcement officials. Witness relocation is but one aspect of the Operation Safe Home Program.

The Operation Safe Home strategy for combating crime in public and assisted housing entails: collaboration by the OIG and federal, state, and local law enforcement agencies in law enforcement efforts targeted at public and assisted housing; collaboration among the OIG, law enforcement agencies, public/assisted housing managers, and public/assisted housing residents in devising methods to prevent violent crime; and HUD programmatic initiatives specifically geared to prevent violent crime in public and assisted housing.

Under the aegis of Operation Safe Home, OIG Special Agents were assigned to 129 law enforcement task forces working in operation in public housing throughout the country as of September 30, 1995. Operation Safe Home was a catalyst for formation of 99 of the 129 task forces.

Since the inception of Operation Safe Home in February 1994, task force operations have resulted in 6,826 persons arrested for crimes involving drugs and weapons, as well as confiscation of 558 weapons (including 100 assault weapons and shotguns), $1,620,1580 in cash, and drugs having an estimated street value of at least $2,854,172. Additionally, over 730 search warrants have been served.

The HUD OIG currently coordinates a witness relocation program in conjunction with efforts to curb crime in public and assisted housing. HUD OIG has been instrumental in relocating 168 witnesses/families who were residents of public housing or eligible applicants and feared reprisals from criminals as a result of their testimony or other assistance they provided to law enforcement officials. Over 100 of those families were relocated during the fiscal year ending September 30, 1995.

HUD's witness relocation effort is distinct from any witness "protection" activity administered by the U.S. Marshal Service. The program is limited to relocating the witness-family from the public housing in which they were threatened to other, suitable HUD supported housing. Any physical protection of the witness remains the responsibility of the primary federal, state or local law enforcement agency investigating the case. Lastly, OIG personnel have worked with local HUD program staff and local housing staffs to improve the safety and security of persons living in public and assisted housing.

Finally, the Committee bill also makes amendments to the Public and Assisted Housing Drug Elimination Act of 1990 by authorizing for FY 96 the Community Partnerships Against Crime Act of 1995. The Committee intends that this authorization is transitional allowing sufficient time for these activities to be integrated into the public housing block grant. The Committee believes that the Department, LHMAs, and assisted housing managers utilize the experiences from the Operation Safe Home Program in combating violent crime in public and assisted housing.

J. More Efficient Rental Assistance Program (Section 8)

Encouraging the Private Sector To Enter the Program

The Section 8 certificate and voucher programs are generally regarded as successful. A recent study[13] conducted by Abt Associates for HUD concluded that 87 percent of sampled enrollees found housing with their Section 8 assistance. Despite this success, however, the program has been criticized for rules that unnecessarily discourage housing owners from participating. For example, the following facts are taken from a report[14] prepared by Abt Associates for the National Multi Housing Council/National Apartment Association:

Under the "take one, take all" provision, owners that accepted one assisted household could not refuse to rent to other tenants solely because they received Section 8 assistance.

The portion of the security deposit paid by the assisted family was one month's contribution toward rent (30% of adjusted income) which created little incentive on the part of the renter to maintain the unit.[15] In addition, cumbersome procedures for the reimbursement of damages to the unit sometimes required owners to hold the unit vacant for extended periods of time, causing further loss of rental income.

Owners could not get rid of troublesome tenants by refusing to renew their leases—an otherwise common practice in the private market. Rather, owners had to go through time-consuming eviction procedures.

Accordingly, the Committee bill changes the program in response to the findings of the Abt Associates report:

The "take one, take-all" provision is repealed.

Section 324 requires that leases be set forth in standard terms which are typically used in the local housing market area by the owner and apply generally to tenants who are not assisted through the Section 8 program.

The "endless" lease provision is eliminated.

The Committee believes that these and other revisions contained in H.R. 2406 will eliminate some of the most egregious conditions that have caused owner dissatisfaction with choice-based housing, while retaining needed tenant projection. Furthermore, these changes will encourage other apartment owners to participate in the program, thereby expanding the universe of affordable housing for low-income families.

Eliminating Over-regulation

In addition to the changes discussed above, H.R. 2406 contains other provisions to reduce over-regulation. For example, the Committee's bill eliminates the requirement that participating housing owners notify the local housing authority 90 days before terminating the lease of an assisted family.

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[13] *Section 8 Rental Voucher and Rental Certificate Utilization Study: Final Report,* Prepared by Abt Associates, Inc. for HUD (Oct. 1994).

[14] *Final Report on Recommendations on Ways to Make the Section 8 Program More Acceptable in the Private Rental Market*, Report prepared by Abt Associates, Inc., for the National Multi Housing Council/National Apartment Association (March 1994).

[15] Under Section 8 Conforming Rule of Summer 1995, HUD now allows security deposits to be collected in conformance with local practice.

The bill also streamlines inspection procedures. Under current program rules, before a low-income family with Section 8 assistance can occupy subsidized housing, the unit must be inspected by the local PHA to determine that it meets HUD's housing quality standards. If repairs are needed, the PHA must reinspect the unit. These inspections take time and penalize the low-income family and the housing owner. Under the Committee's bill, if the LHMA agency does not inspect the unit within 7 days of a request by the assisted family or the owner, the unit shall be considered an eligible unit and the assisted family may occupy a unit needing repairs before any such repairs are made if the owner agrees to make such repairs within 15 days.

Finally, the Committee's bill merges the current certificate and housing voucher programs into one choice-based housing program. Under current law, assisted households are treated differently depending on the form of assistance they receive, and housing owners are subject to different requirements for two families if one family has a certificate and the other has a housing voucher. These differences are eliminated by merging the two programs. Although HUD has already acted to conform the requirements of the two programs in its July 1995 rulemaking when the differences are not required by statute, the provisions in the Committee bill are necessary to complete the reform. Previous attempts to merge the certificate and voucher program have enjoyed the universal support by this Committee, interest groups representing owners and housing agencies, HUD, and GAO.

Choice, Portability, and Low-income Concentration

Portability enables Section 8 recipients to seek housing wherever they wish without regard to political jurisdictional boundaries or PHA boundaries thereby promoting wider housing choice. At the same time, however, the Committee is aware of the bookkeeping and the administrative burdens that are the result of portability.

Under current law, PHAs that lose Section 8 renters to another jurisdiction may have to make assistance payments to support that family in another jurisdiction if the receiving PHA chooses not to absorb the family into its own program. If the family has moved to a higher rent area, the initial PHAs must make up the difference in the rental cost at the expense of its own program. In addition, this billing arrangement generates a billing and accounting paperwork burden for both the losing and the receiving PHA.

Because of reported abuses, in 1992 Congress enacted legislation that somewhat limits portability of assistance. At that time, it was reported that families were "wait-list shopping;" that is, getting on waiting lists for Section 8 assistance in areas with short or no waiting lists and obtaining certificates or vouchers from a local PHA with no intention of living in the PHA's jurisdiction. After receiving assistance, the families immediately leased units in some other area, such as one with a long Section 8 losing PHAs and created unneeded administrative burdens for both the losing and the receiving PHAs.

The Committee's bill provides flexibility for losing and gaining LHMAs to deal with port ability issues. In this regard, the bill allows LHMAs to assist previously-assisted families moving into

their jurisdiction. If a wait-listed family (1) moves to a jurisdiction in which the authority has an open waiting list for choice-based housing, such family is to be placed in the position it would have been placed on the date it was placed on the original jurisdiction's waiting list or (2) moves to a jurisdiction in which the authority has a closed waiting list, the family is to be placed at the end of the waiting list unless the family moved because of verifiable employment opportunity (in which case the family will be placed on the waiting list as in (1) above).

LHMAs may deny assistance to an eligible family that has moved from another authority's jurisdiction and whose eligibility was terminated by the other jurisdiction because of lease violations. The authority may also set policies to prohibit residents whose tenancy has been terminated for serious violations from attaining continued housing assistance. Confidentiality has been provided for victims of domestic violence.

Portability May Not Promote Housing Choice

The Section 8 certificate and voucher programs were enacted under the premise that assisted households would be able to obtain housing of their choice that met HUD's rent and quality standards. It was hoped that families would not, as is too often the case in public housing, be warehoused in deteriorating developments at risk for their lives and with little hope for the future. Rather, certificates and vouches were seen as a means for families to select safe housing, located in neighborhoods that provided positive role models, and allow increased access to jobs, education, and services.

There is increasing concern, however, that "Section 8 submarkets" are being created.[16] That is, by the programs' very design, assisted households are herded into poorer areas. This situation may occur because, as a general rule, a Section 8 assistance has been limited to housing that rents at a level in which 45 percent of an area's rental housing could be obtained. The problem may be exacerbated by the recent reduction of the fair market rent standard to the 40th percentile, effective October 1, 1995.

For example, HUD's June 1995 study cited above reported that:

> . . . families receiving certificates and vouchers obtain housing in areas that are generally less poor and less segregated than the neighborhoods surround conventional public housing projects. This finding, offers the first quantitative evidence that, even in the absence of directed counseling, HUD rental assistance yields a lower concentration of urban poverty than project-based forms of assistance.
>
> Nonetheless, the local outcomes of recipients mirror the broad pattern of isolation experienced by many low-income and minority households in the private rental market. Despite the expanded housing choice options that their enhanced purchasing power would seem to offer, many Sec-

[16] See the previously-cited reports on (1) voucher and certificate utilization and (2) making the Section 8 program more acceptable in the private rental market, as well as another HUD report entitled Promoting Housing Choice in HUD's Rental Assistance Programs: A Report to Congress (Apr. 1995).

tion 8 families continue to live in relatively segregated and economically distressed neighborhoods.

H.R. 2406 addresses this issue in two ways. First, Section 353 of the bill provides that each LHMA establish a payment standard for Section 8 assistance that is between 80 percent and 120 percent of the "rental indicator" established by HUD[17] (under Section 323) for the local market area. This provision allows the LHMA sufficient flexibility to establish a payment standard that reflects local conditions and is more conducive to providing adequate housing choice.

Second, Section 373 of the bill requires the Secretary to conduct a study of the geographic areas in the State of Illinois served by the Housing Authority of Cook County and the Chicago Housing Authority. The purpose of the study is to address and resolve issues on the adverse impact on local communities due to the geographic concentration of assisted households and ways to deconcentrate assisted households by providing broader housing choice. This report must be completed not later than 90 days after the enactment of the Act.

Likewise, the Committee is considering whether to have the GAO conduct a complementary, but longer-term study in different geographic areas. This study might take into account the Secretary's findings and any legislative or Departmental actions taken as a result of this study.

Administrative Fees for Choice-based Rental Housing

Since 1975, Congress has provided funds to HUD to reimburse PHAs for costs incurred administering the Section 8 tenant based rental housing assistance programs. This fee is made up of several components: (1) a one-time fee (up to $275) to cover the preliminary-expenses involved getting an assisted household into the Section 8 program (for example, to reimburse the PHA for costs incurred in taking applications, rent reasonableness negotiations with the housing owner, complaint handling, income recertification and unit inspections), (2) ongoing fees to cover costs over time (averaging about 7.6% of the fair market rent (FMR) for a two-bedroom unit), and (3) for other purposes, such as for the costs to help families that experience difficulty in renting appropriate housing, costs to coordinate services for elderly and disabled families, costs for audits, and costs for extraordinary costs, as determined necessary by HUD.

The second component of the fee is by far the most significant for PHAs because of its linkage to the FMR and because the other two components of the fee are one-time payments. According to a recent HUD report in 1993, the average ongoing reimbursement (excluding the preliminary and certain other fees) equalled roughly $44 per unit per month of assistance, with a total national cost of $659 million per year.[18]

There are significant problems associated with setting administrative fees. PHA characteristics, which are different for each PHA, affect cost markedly which may lead to some PHAs being overcom-

[17] Rental indicators established under H.R. 2406 take the place of the current system of HUD-established "fair market rents."

[18] Office of Policy Development and Research, HUD, *Section 8 Administrative Fees: A Report to Congress* (June 1994).

pensated and some undercompensated. For example, the number of certificates and vouchers administered by PHAs range from a handful to upwards of tens of thousands. Also some PHAs serve a single city or county while others serve a multi-country or statewide area. All these factors affect the level of expenses. Determining what constitutes a reasonable payment to the 2,600 PHAs that administer these programs and developing a fee schedule that fairly compensates all of them is an almost impossible task.

As a first step towards making this determination, Section 305 changes the fee schedule, setting the administrative fee for LHMAs at 6.5% of the base amount using FY 1993 and 1994 FMRs for the first 600 units (for 2-bedroom units), and 6.0% of the base amount for all units in excess of 600. After 1996, the Secretary is required to establish a fee that reflects changes in wage data or other objectively measurable data that reflects costs of administering the choice-based rental housing assistance program. The Secretary may increase this fee to reflect higher costs of administering small programs and programs operating over larger geographic areas. The Committee bill also provides for an administrative fee for (1) the costs of assisting families that have difficulty in finding appropriate housing, (2) in certain circumstances, a one-time $500 preliminary fee, and (3) amounts to cover extraordinary costs as determined by the Secretary.

K. Designing Better Indicators of Market Rents

Rental assistance provided to qualified households is currently limited by fair market rents (FMR) which are nothing more than statistically-determined indicators of appropriate, affordable rent levels for the are. HUD establishes FMRs on an annual basis for different housing market areas by type and size of dwelling units. HUD relies on metropolitan statistical areas and primary metropolitan statistical areas established by the Office of Management and Budget as the housing market on which to base FMRs because of the close correspondence that has typically existed between these areas and housing market areas. The composition of a single jurisdiction can range from a single community to numerous counties spread over several states.

In general, the FMR for an area is the amount needed to pay the gross rent (shelter plus utilities) for modest, decent, safe, and sanitary housing. In setting the FMRs, HUD tries to strike a balance between permitting the assisted households a wide selection of units and neighborhoods, and serving as many households as possible. Specifically, beginning in fiscal year 1996, FMRs are set at the 40th percentile of a defined housing market area's rental housing; that is, the level at which about 40 percent of a market area's rental housing can be obtained. HUD establishes FMRs annually for about 2,700 market areas—over 350 metropolitan areas and nearly 2,400 nonmetropolitan counties. Most recipients of Federally assisted housing reside in metropolitan areas.

Problems With Rent Setting Standards

Despite its best efforts, HUD's FMRs do not always accurately reflect true market rents for certain areas and submarkets within broadly defined areas. In fact, the description most often made of

FMRs is that they are neither fair nor market. Therefore, H.R. 2406 has changed the name of FMRs to "rental indicators" in an attempt to reflect their actual purpose. When FMRs are inaccurate—a significant problem in the past—subsidies may be too high for prevailing rents in some submarkets and too low in others.[19]

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For example, in areas where either situation exists, a metropolitan area-wide FMR makes less than 40 percent of the housing stock available to assisted households in more expensive submarkets. Conversely, in areas with rents that are below the metropolitan area-wide FMR, assisted households have access to more than 40 percent of the available housing stock in that area. In addition, areas where rents are high and the subsidy is low, assisted families become concentrated in areas that are at the lower end of the market—a situation that has occurred in the past and is inconsistent with the statutory objective of mobility and full access to the market.

Further, within any market area, rents vary because of the units' age, quality of construction and maintenance, location, and differences in amenities. Unless, and perhaps even if, an area were defined as a few square blocks, rent variations would remain and could be significant. Finally, establishing an FMR for smaller areas could be too time-consuming and costly for HUD. GAO recently estimated that the cost of collecting additional data to establish an FMR for an individual public housing agency's jurisdiction could range from $5 million to more than $750 million a year, depending on the level of accuracy and reliability desired.[20]

Establishing Variable Payment Standards

Under the Committee's bill, HUD is responsible for establishing rental indicators that account for the various sizes and types of dwelling units within a given housing market area. LHMAs may establish payment standards for their locality between 80 to 120 percent of the rental indicator. This flexibility enables local authorities to set rent ranges that are based on factors like a unit's age, location, amenities, quality of construction and maintenance, and the provision of local public services, such as employment opportunities and transportation—detailed information that HUD does not have access to when establishing the FMR.

Authorities with apartments located in a suburban or rural area may assign a lower payment standard if the comparable rents in the area are below the housing market area's rental indicator. Conversely, the authorities are able to set the payment standard above the rental indicator to meet the rental costs of a high rent market.

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[20] *Rental Housing: Use of Smaller Market Areas to Set Rent Subsidy Levels Has Drawbacks* (GAO/RCED–94–122, June 24, 1994).

L. Other General Provisions

Pet Ownership

The Committee bill continues to recognize the benefits that pet ownership provides individuals and families and which has been substantiated by scientific studies. Local housing management authorities and property owners are encouraged, but not required, to provide guidelines for pet ownership for all residents of federally assisted housing. Authorities should use discretion to determine if ownership of particular pets in a facility would have a deleterious effect on the property or on other residents that cannot be remedied by reasonable means. Local housing management authorities or property managers may look to federal regulations governing pet ownership in housing for the elderly or disabled (24 CFR 243).

If pets are permitted, property managers may charge a nominal monthly fee (suggested not to exceed $10) to residents keeping pets, as well as a deposit. Any deposit should be kept in an interest bearing escrow account by the local housing and management authority or the property manager. Deposit moneys only should be used to pay for the reasonable and extraordinary expenses related to the resident/depositor's pet. Remaining deposit money should be returned to the resident/depositor in a timely fashion once the resident/depositor has vacated the facility or no longer owns a pet. Local housing and management authorities and property managers are encouraged to consider the regulations and guidelines for pets in 24 CFR 243.20.

Review of Drug Elimination Program Contracts

Section 502(d) requires the Secretary to investigate all security contracts of PHAs owning and operating more than 4,500 units and that were awarded by grantees under the Public and Assisted Housing Drug Elimination Act of 1990. In particular, the Committee is concerned with security firms affiliated with the Nation of Islam which have received over $20 million in contracts awarded by HUD. Members of this Committee are concerned about allegations that such firms have benefitted from flagrant violations of procurement procedures, engaged in anti-discriminatory hiring practices, and permitted their employees to proselytize while on duty. In spite of requests from Members of this Committee to the Secretary for details on these contracts, and of possible non-compliance with Federal hiring and employment requirements by some firs, HUD has failed to provide this information.

In an effort to obtain information about the contractual relationship between Nation of Islam affiliated firms and HUD, the House Banking Subcommittee on General Oversight and Investigations held a hearing on March 2, 1995. In spite of HUD's repeated assurances that documents would be provided to the Subcommittee, HUD has failed to secure for the Subcommittee documentation of the hiring practices of such firms.

The failure of HUD to uphold its oversight and enforcement responsibilities of the security contracts of PHAs has compelled the Committee to act legislatively. As a result, the Committee bill calls for HUD to provide a thorough accounting of its contractual relationship with companies, and a requirement that HUD either bring

existing public housing security contracts into full compliance with appropriate requirements, or terminate them.

Effect of Repeal of USHA of 1937 on PHA Payment of Outstanding Debt and Existing Contracts

Despite the repeal of the USHA of 1937, the Committee realizes that the financial records of numerous LHMAs continue to reflect debt that is held by the Secretary, generally in the form of Advance Notes. The Committee does not intend that such debt obstruct the ability of LHMAs to seek other forms of financial assistance from private market sources. Therefore, the Secretary is encouraged to continue to forgive this debt as it comes due.

Furthermore, the legislation should not affect the continuing obligation of the federal government to make annual contributions, in amounts not exceeding the sum LHMAs annually require to pay principal and interest on obligations incurred under the USHA of 1937, and issued with the full faith and credit of the United States. Individuals and institutions holding such instruments should reasonably expect that the United States will continue to honor its obligations.

Section 501(b) makes clear that repealing the USHA of 1937 does not affect any legally binding obligation entered into under such laws, and that any provision of law repealed by the new Act shall continue to govern funds or activities subject to the Act.

HEARINGS

The Subcommittee on Housing and Community Opportunity held three hearings on the "United States Housing Act of 1996."

The first hearing was held on September 29, 1995. Testifying before the Subcommittee were: Mr. John Hiscox, Executive Director of the Macon Housing Authority on behalf of the Public Housing Authorities Directors Association; Mr. Robert Armstrong, Executive Director of the Omaha Housing Authority on behalf of the National Association of Housing and Redevelopment Officials; Mr. Gregory Byrne, Executive Director of the Dade County Department of Housing and Urban Development on behalf of the Council of Large Public Housing Authorities; Ms. Bertha Gilkey, public housing resident and President of Cochran Resident Management Corporation; Ms. Christine Oliver, President and CEO of Chicago Dwellings Association on behalf of the National Housing Conference; and Ms. Jackie Johnson, Chairperson of the National American Indian Housing Council.

The second hearing was held in Chicago, Illinois on October 5, 1995. Testifying before the Subcommittee were: Mr. Arthur Agee Jr., public housing resident and subject of the award-winning documentary film "Hoop Dreams"; Ms. Susan Gaffney, Inspector General of the Department of Housing and Urban Development; Mr. Harold Lucas, Executive Director of the Newark Housing Authority; Ms. Rosanna Marquez, Director of Programs for the Mayor of Chicago; Mr. Ambrosio Mendrano, Alderman, Chairman of the Committee on Housing and Real Estate for the city of Chicago; and Mr. Joseph Shuldiner, Acting Chairman, Chicago Housing Authority Board of Commissioners and Assistant Secretary for Public and Indian Housing, Department of Housing and Urban Development.

The third hearing was held on October 13, 1995. Testifying before the Subcommittee were: Mr. Lawrence Simons, former Assistant Secretary for Housing and Federal Housing Administration Commissioner, Department of Housing and Urban Development; Mr. Paul Graziano, President of the National Leased Housing Association and General Manager of the New York Housing Authority; Ms. Christina Garcia, Vice President of the Wildwood Management Group on behalf of the National Apartment Association and National Multi-Housing Council; Mr. Charles DiMaggio, Vice President of the Grenadier Realty Corporation on behalf of the National Assisted Housing Management Association and the Apartment and Building Owners of Greater New York; Mr. Charles Wilkins, senior Vice President of the National Corporation for Housing Partnerships; Ms. Judy England-Joseph, Director for Housing and Community Development Issues, General Accounting Office; Ms. Susan Gaffney; Inspector General of the Department of Housing and Urban Development; and the Honorable Henry Cisneros, Secretary of the Department of Housing and Urban Development accompanied by Mr. Kevin Marchman, Acting Assistant Secretary Designee for Public and Indian Housing of the Department of Housing and Urban Development.

Additionally, the Subcommittee and the Committee on Banking and Financial Services held three hearings of related interest to the United States Housing Act of 1995. The Subcommittee staff also held a symposium on public housing reform on April 11, 1995.

The Subcommittee held a hearing on "HUD" Reinvention: From Blueprint to Action" on April 6, 1995. Testifying before the Subcommittee were: the Honorable Henry Cisneros, Secretary of the Department of Housing Urban Development; Mr. Jeffrey Eisenach, Ph.D., President of the Progress and Freedom Foundation; Mr. Ronald Utt, Ph.D., Visiting Fellow with the Heritage Foundation; and Mr. Marvin Siflinger, former Executive Director of the Massachusetts Housing Finance Agency and former Board of Directors President of the National Council of State Housing Agencies.

The Subcommittee held a hearing on "HUD's Takeover of the Chicago Housing Authority" on June 7, 1995. Testifying before the Subcommittee were: the Honorable Henry Cisneros, Secretary of the Department of Housing and Urban Development; the Honorable Joseph Shuldiner, Assistant Secretary for Public and Indian Housing, Department of Housing and Urban Development; Ms. Susan Gaffney, Inspector General, Department of Housing and Urban Development; Ms. Judy England-Joseph, Director of Housing and Community Development Issues, General Accounting Office; and Mr. Jeffrey Lines, President of TAG Associates, Incorporated and Receiver of the Kansas Housing Authority.

The Committee on Banking and Financial Services held a hearing on the "Senior Citizens Housing Safety and Economic Relief Act of 1995" on October 12, 1995. Testifying before the Committee were: the Honorable Peter Blute; the Honorable Michael Patrick Flanagan; the Honorable James Moran; the Honorable Ray LaHood; Mr. John Mather, Chairman of the Legislative Council, Massachusetts chapter of the National Association of Housing Redevelopment Officials; Ms. Anneliessa Belcufino, a senior citizen

public housing resident; and Ms. Marion Johnson, a social worker for Elder Home Care, Worcester, Massachusetts.

COMMITTEE CONSIDERATION AND VOTES (RULE XI, CLAUSE 2(l)(2)(b))

The Committee met in open session to markup H.R. 2406, the "United States Housing Act of 1996" on November 2, 8, and 9, 1995. The Committee considered, as original text for purposes of amendments a Committee Print which incorporated the provisions of H.R. 2406 introduced by Mr. Lazio.

During the markup, the Committee approved 31 amendments including a managers amendment by voice vote. The Committee also defeated one amendment by voice vote. Seven amendments were withdrawn, three on the promise to work towards incorporating acceptable language in a floor amendment. The Committee approved, by recorded vote, one amendment to the Committee Print. The Committee also defeated, by recorded vote, 10 amendments. Pursuant to the provisions of clause 2(1)(2)(b) of rule XI of the House of Representatives, the results of each roll call vote and the motion to report, together with the names of those voting for and those voting against, are printed below:

ROLLCALL NUMBER: 1

Date: November 8, 1995.

Measure: The United States Housing Act of 1996.

Motion by: Mr. Gutierrez.

Description of motion: To amend the definition of "low-income family" to mean a family whose income does not exceed 60% of the area median income, and provides LHMAs the ability with HUD's approval to increase the threshold to 80%.

Results: Rejected 12–25.

Members voting yea	Members voting nay
Mr. Gonzalez	Mr. Leach
Mr. Vento	Mr. McCollum
Mr. Frank	Mrs. Roukema
Ms. Waters	Mr. Baker
Mr. Orton	Mr. Lazio
Mr. Sanders	Mr. Bachus
Mr. Gutierrez	Mr. Castle
Ms. Roybal-Allard	Mr. King
Mr. Barrett	Mr. Royce
Ms. Velázquez	Mr. Lucas
Mr. Watt	Mr. Weller
Mr. Bentsen	Mr. Hayworth
	Mr. Metcalf
	Mr. Bono
	Mr. Ney
	Mr. Ehrlich
	Mr. Chrysler
	Mr. Cremeans
	Mr. Fox
	Mr. Heineman
	Mr. Stockman

Mr. LoBiondo
Mr. Watts
Mrs. Kelly
Mr. Ackerman

ROLLCALL NUMBER: 2

Date: November 8, 1995.
Measure: The United States Housing Act of 1996.
Motion by: Mr. Watt.
Description of motion: To provide LHMAs the option of imposing a public service requirement.
Results: Rejected 16–20.

Members voting yea	Members voting nay
Mr. Gonzalez	Mr. Leach
Mr. LaFalce	Mr. McCollum
Mr. Vento	Mr. Roth
Mr. Frank	Mr. Baker
Mr. Kennedy	Mr. Lazio
Mr. Flake	Mr. Bachus
Mr. Waters	Mr. Royce
Mr. Sanders	Mr. Weller
Mr. Gutierrez	Mr. Hayworth
Ms. Roybal-Allard	Mr. Bono
Mr. Barrett	Mr. Ney
Ms. Velázquez	Mr. Barr
Mr. Wynn	Mr. Chrysler
Mr. Watt	Mr. Cremeans
Mr. Hinchey	Mr. Fox
Mr. Ackerman	Mr. Heineman
	Mr. Stockman
	Mr. LoBiondo
	Mr. Watts
	Mrs. Kelly

ROLLCALL NUMBER: 3

Date: November 8, 1995.
Measure: The United States Housing Act of 1996.
Motion by: Ms. Velázquez.
Description of motion: To provide for a resident appeal procedure of the LHMP.
Results: Rejected 13–14.

Members voting yea	Members voting nay
Mr. Gonzalez	Mr. Leach
Mr. LaFalce	Mr. Baker
Mr. Frank	Mr. Lazio
Mr. Flake	Mr. Bachus
Mr. Orton	Mr. Royce
Mr. Sanders	Mr. Weller
Mrs. Maloney	Mr. Barr
Mr. Gutierrez	Mr. Chrysler
Ms. Roybal-Allard	Mr. Cremeans
Mr. Barrett	Mr. Fox

Ms. Velázquez	Mr. Heineman
Mr. Watt	Mr. Stockman
Mr. Hinchey	Mr. LoBiondo
	Mrs. Kelly

ROLLCALL NUMBER: 4

Date: November 8, 1995.
Measure: The United States Housing Act of 1996.
Motion by: Mr. Gutierrez.
Description of motion: To require that wage requirement standards be applied to residents of public housing employed by the LHMA.
Results: Rejected 15–22.

Members voting yea	Members voting nay
Mr. Vento	Mr. Leach
Mr. Frank	Mr. McCollum
Mr. Kennedy	Mrs. Roukema
Mr. Flake	Mr. Roth
Mr. Mfume	Mr. Baker
Ms. Waters	Mr. Lazio
Mr. Orton	Mr. Bachus
Mr. Sanders	Mr. Castle
Mr. Gutierrez	Mr. King
Ms. Roybal-Allard	Mr. Royce
Mr. Barrett	Mr. Weller
Mr. Wynn	Mr. Hayworth
Mr. Watt	Mr. Metcalf
Mr. Ackerman	Mr. Bono
Mr. Bentsen	Mr. Ney
	Mr. Barr
	Mr. Chrysler
	Mr. Heineman
	Mr. Stockman
	Mr. LoBiondo
	Mr. Watts
	Mrs. Kelly

ROLLCALL NUMBER: 5

Date: November 8, 1995.
Measure: The United States Housing Act of 1996.
Motion by: Mr. Frank and Mr. Gutierrez.
Description of motion: To provide that the amount paid by a family in a public or assisted housing unit shall not exceed 30% of the family's adjusted monthly income. Families in assisted housing units are required to contribute 30% of the family's adjusted monthly income or a minimum monthly rent of $25, whichever is less.
Results: Rejected 14–22.

Members voting yea	Members voting nay
Mr. Vento	Mr. McCollum
Mr. Schumer	Mrs. Roukema
Mr. Frank	Mr. Bereuter

Mr. Kennedy
Mr. Flake
Ms. Waters
Mr. Gutierrez
Ms. Roybal-Allard
Mr. Barrett
Ms. Velázquez
Mr. Wynn
Mr. Watt
Mr. Ackerman
Mr. Bentsen
Mr. Roth
Mr. Baker
Mr. Lazio
Mr. King
Mr. Royce
Mr. Weller
Mr. Metcalf
Mr. Bono
Mr. Ney
Mr. Ehrlich
Mr. Barr
Mr. Cremeans
Mr. Fox
Mr. Heineman
Mr. Stockman
Mr. LoBiondo
Mr. Watts
Mrs. Kelly
Mr. Orton

ROLLCALL NUMBER: 6

Date: November 8, 1995.
Measure: The United States Housing Act of 1996.
Motion by: Ms. Waters.
Description of motion: To provide applicants the opportunity to request an informal hearing if denied admission.
Results: Adopted 29–7.

Members voting yea

Mrs. Roukema
Mr. Bereuter
Mr. Castle
Mr. Lucas
Mr. Weller
Mr. Metcalf
Mr. Ney
Mr. Ehrlich
Mr. Chrysler
Mr. Fox
Mr. Heineman
Mr. Stockman
Mr. LoBiondo
Mr. Watts
Mrs. Kelly
Mr. Vento
Mr. Kennedy
Mr. Flake
Ms. Waters
Mr. Orton
Mr. Sanders
Ms. Roybal-Allard
Mr. Barrett
Ms. Velázquez
Mr. Wynn

Members voting nay

Mr. Baker
Mr. Lazio
Mr. King
Mr. Royce
Mr. Bono
Mr. Barr
Mr. Cremeans

Mr. Watt
Mr. Hinchey
Mr. Ackerman
Mr. Bentsen

ROLLCALL NUMBER: 7

Date: November 8, 1995.
Measure: The United Sates Housing Act of 1996.
Motion by: Mr. Hinchey.
Description of motion: To provide that no senior or disabled families in public or assisted housing pay more than 30% of their adjusted monthly income towards rent.
Results: Rejected 21–22.

Members voting yea	Members voting nay
Mrs. Roukema	Mr. Leach
Mr. Ney	Mr. McCollum
Mr. Fox	Mr. Bereuter
Mr. Heineman	Mr. Roth
Mr. Vento	Mr. Baker
Mr. Schumer	Mr. Lazio
Mr. Frank	Mr. Bachus
Mr. Kanjorski	Mr. Castle
Mr. Kennedy	Mr. Royce
Mr. Flake	Mr. Weller
Ms. Waters	Mr. Hayworth
Mr. Orton	Mr. Metcalf
Mr. Sanders	Mr. Bono
Mrs. Maloney	Mr. Ehrlich
Ms. Roybal-Allard	Mr. Barr
Mr. Barrett	Mr. Chrysler
Ms. Velázquez	Mr. Cremeans
Mr. Wynn	Mr. Stockman
Mr. Watt	Mr. LoBiondo
Mr. Hinchey	Mr. Watts
Mr. Bentsen	Mrs. Kelly
	Mr. Ackerman

ROLLCALL NUMBER: 8

Date: November 8, 1995.
Measure: The United States Housing Act of 1996.
Motion by: Ms. Waters.
Description of motion: To provide for an 18 month income disregard if a recipient's income increases.
Results: Rejected 14–24.

Members voting yea	Members voting nay
Mr. Frank	Mr. Leach
Mr. Kanjorski	Mrs. Roukema
Mr. Flake	Mr. Bereuter
Mr. Mfume	Mr. Roth
Ms. Waters	Mr. Baker
Mr. Orton	Mr. Lazio
Mr. Sanders	Mr. Bachus

Mr. Gutierrez	Mr. Castle
Ms. Roybal-Allard	Mr. King
Ms. Velázquez	Mr. Royce
Mr. Wynn	Mr. Lucas
Mr. Watt	Mr. Weller
Mr. Hinchey	Mr. Hayworth
Mr. Bentsen	Mr. Bono
	Mr. Barr
	Mr. Chrysler
	Mr. Cremeans
	Mr. Heineman
	Mr. Stockman
	Mr. LoBiondo
	Mr. Watts
	Mrs. Kelly
	Mr. Vento
	Mr. Barrett

ROLLCALL NUMBER: 9

Date: November 8, 1995.
Measure: The United States Housing Act of 1996.
Motion by: Mr. Watt.
Description of motion: To extend the period for refinancing by resident organizations or resident management corporations to 120 days. Resident groups are allowed to purchase the property at a price enabling the group to continue operating the property as low-income housing.
Results: Rejected 15–21.

Members voting yea	Members voting nay
Mr. LaFalce	Mr. Leach
Mr. Vento	Mr. McCollum
Mr. Schumer	Mrs. Roukema
Mr. Frank	Mr. Bereuter
Mr. Kennedy	Mr. Roth
Mr. Flake	Mr. Baker
Ms. Waters	Mr. Lazio
Mr. Sanders	Mr. Bachus
Mr. Gutierrez	Mr. Royce
Ms. Roybal-Allard	Mr. Lucas
Mr. Barrett	Mr. Weller
Ms. Velázquez	Mr. Hayworth
Mr. Wynn	Mr. Bono
Mr. Watt	Mr. Ehrlich
Mr. Bentsen	Mr. Barr
	Mr. Cremeans
	Mr. Heineman
	Mr. Stockman
	Mr. LoBiondo
	Mr. Watts
	Mrs. Kelly

ROLLCALL NUMBER: 10

Date: November 9, 1995.

Measure: The United States Housing Act of 1996.
Motion by: Mr. Kennedy.
Description of motion: To restore targeting to choice-based housing.
Results: Rejected 10–17.

Members voting yea	Members voting nay
Mr. Vento	Mr. Leach
Mr. Kennedy	Mrs. Roukema
Mr. Flake	Mr. Lazio
Ms. Waters	Mr. Bachus
Mr. Orton	Mr. Castle
Mr. Sanders	Mr. King
Mr. Barrett	Mr. Lucas
Mr. Wynn	Mr. Weller
Mr. Watt	Mr. Hayworth
Mr. Bentsen	Mr. Metcalf
	Mr. Bono
	Mr. Ney
	Mr. Barr
	Mr. Fox
	Mr. LoBiondo
	Mr. Watts
	Mrs. Kelly

ROLLCALL NUMBER: 11

Date: November 9, 1995.
Measure: The United States Housing Act of 1996.
Motion by: Mr. Vento.
Description of motion: To strike CDBG sanctions for troubled LHMAs.
Results: Rejected 19–25.

Members voting yea	Members voting nay
Mr. Gonzalez	Mr. Leach
Mr. LaFalce	Mrs. Roukema
Mr. Vento	Mr. Bereuter
Mr. Schumer	Mr. Baker
Mr. Kennedy	Mr. Lazio
Mr. Flake	Mr. Bachus
Mr. Mfume	Mr. Castle
Ms. Waters	Mr. King
Mr. Sanders	Mr. Royce
Mrs. Maloney	Mr. Weller
Mr. Gutierrez	Mr. Hayworth
Ms. Roybal-Allard	Mr. Metcalf
Mr. Barrett	Mr. Bono
Ms. Velázquez	Mr. Ehrlich
Mr. Wynn	Mr. Barr
Mr. Watt	Mr. Chrysler
Mr. Hinchey	Mr. Cremeans
Mr. Ackerman	Mr. Heineman
Mr. Bentsen	Mr. Stockman
	Mr. LoBiondo

Mr. Watts
Mrs. Kelly
Mr. Frank
Mr. Kanjorski
Mr. Orton

After the Committee Print was adopted as amended by voice vote, H.R. 2406 was called up for Committee consideration. A motion to strike everything after the enacting clause in H.R. 2406 and insert in Lieu thereof the Committee Print as amended, was approved by voice vote.

A motion to adopt H.R. 2406 and favorably report H.R. 2406 as amended to the House and authorize the Chairman to make any technical or conforming amendments was approved 27–18 on November 9, 1995. Pursuant to a unanimous consent request, Mr. Ney and Mr. Fox asked that the record show that they were unavoidably detained on other official business during the vote on H.R. 2406. Had they been present, they would have voted to favorably support H.R. 2406.

Members voting yea	Members voting nay
Mr. Leach	Mr. Gonzalez
Mr. McCollum	Mr. LaFalce
Mrs. Roukema	Mr. Vento
Mr. Baker	Mr. Frank
Mr. Lazio	Mr. Kanjorski
Mr. Bachus	Mr. Kennedy
Mr. Castle	Mr. Flake
Mr. King	Mr. Mfume
Mr. Royce	Ms. Waters
Mr. Lucas	Mr. Sanders
Mr. Weller	Mrs. Maloney
Mr. Hayworth	Mr. Gutierrez
Mr. Metcalf	Ms. Roybal-Allard
Mr. Bono	Mr. Barrett
Mr. Ehrlich	Ms. Velazquez
Mr. Barr	Mr. Wynn
Mr. Chrysler	Mr. Wyatt
Mr. Cremeans	Mr. Hinchey
Mr. Heineman	
Mr. Stockman	
Mr. LoBiondo	
Mr. Watts	
Mrs. Kelly	
Mr. Schumer	
Mr. Orton	
Mr. Ackerman	
Mr. Bentsen	

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Rep-

resentatives, are incorporated in the descriptive portions of this report.

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT FINDINGS

No findings and recommendations of the Committee on Government Reform and Oversight were received as referred to in clause 2(l)(3)(D) of rule XI and clause 4(c)(2) of rule X of the Rules of the House of Representatives.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives is inapplicable because this legislation does not provide new budgetary authority for increased tax expenditures.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

The cost estimate pursuant to Clause 2(l)(3)(C) of rule XI, of the Rules of the House of Representatives and Section 403 of the Congressional Budget Act of 1974 has been requested, but had not been prepared as of the filing of Part I of this report. The estimate will be included in Part II of this report to be filed at a future date.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

CONGRESSIONAL ACCOUNTABILITY ACT

The reporting requirement under section 102(b)(3) of the Congressional Accountability Act (P.L. 104–1) is inapplicable because this legislation does not relate to terms and conditions of employment or access to public services or accommodations.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee estimates that H.R. 2406 will have no significant inflationary impact on prices and costs in the national economy.

CONGRESSIONAL BUDGET OFFICE FEDERAL MANDATE COST ESTIMATE

The cost estimate pursuant to Section 424 of the Unfunded Mandates Reform Act (P.L. 104–4) has been requested, but had not been prepared as of the filing of this report. The estimate will be filed at a future date.

SECTION-BY-SECTION ANALYSIS

Section 1—Short title and table of contents

This Act may be cited as the "United States Housing Act of 1996."

Section 2—Declaration of policy to renew American neighborhoods

Declares that it is the policy of the federal government to promote the general welfare of the nation:

(a) by applying federal resources to aid families and individuals seeking affordable homes that are safe, clean, and healthy, and in particular, assisting responsible, deserving citizens who cannot provide fully for themselves because of temporary circumstances or factors beyond their control; and

(b) by working to ensure a thriving national economy and a strong private housing market; and

(c) by developing effective partnerships among the federal government, state and local governments, and private entities that allow government to accept responsibility for fostering the development of a healthy marketplace, and allow families to prosper and thrive without government involvement in their day-to-day activities.

States that the federal government cannot through its direct action or involvement provide for the housing of every American citizen, or even a majority of its citizens, but it is the responsibility of government to promote and protect the independent and collective actions of private citizens to develop housing and strengthen their own neighborhoods.

Provides that the government should act only where there is a serious need that private citizens or groups cannot or are not addressing responsibly; and merely providing physical structures to house the poor will not pull generations up from poverty, but housing is a component of bringing true opportunity to people and communities in need.

TITLE I—GENERAL PROVISIONS

Section 101—Statement of purpose

States that the purpose of the United States Housing Act of 1995 is to provide affordable housing opportunities to low-income families by:

(1) deregulating and decontrolling public housing agencies, which in this Act are referred to as ''local housing and management authorities'' and asset managers;

(2) providing for more flexible use of Federal assistance to local housing and management authorities, allowing the authorities to leverage and combine assistance amounts with amounts obtained from other sources;

(3) facilitating mixed income communities;

(4) increasing accountability and rewarding effective management of local housing and management authorities;

(5) creating incentives for residents of dwelling units assisted by local housing and management authorities to work; and

(6) recreating the existing rental assistance voucher program so that the use of vouchers and relationships between landlords and tenants under the program operate in a manner that more closely resembles the private housing market.

Section 102—Definitions

Defines various terms for the purpose of this Act.

Section 103—Organizations of local housing and management authorities

Defines ''local housing and management authority'' and ''authority.'' Requires that the board of directors of a local housing and management authority must include at least one resident of public housing or one recipient of assistance under Title III. Exceptions are for LHMA's that: (1) governing bodies; (2) oversee fewer than 250 public housing dwelling units; (3) oversee public housing consisting primarily of scattered site public housing; (4) operate under State laws that explicitly preclude resident membership; or (5) have a salaried, full-time Board of Directors.

Section 104—Determination of adjusted income

Defines ''adjusted income'' for purposes of this Act to mean the difference between the income of the members of the family residing in a dwelling unit or the person on a lease and the amount of any income exclusions—some of which are mandatory—for the family as determined by HUD. Mandatory exclusions are for: (1) elderly and disabled families; (2) reasonable medical expenses; (3) child care expenses; (4) minors residing in the household; and (5) certain child support payments. Discretionary exclusions include, but are not limited to, (1) dependents; (2) travel expenses; and (3) earned income.

Section 105—Limitation on admission of drug or alcohol abusers to assisted housing

Permits a local housing and management authority to prohibit certain individuals with a history of drug or alcohol abuse from admission to units where admission may interfere with the peaceful enjoyment of the premises by other residents.

Section 106—Community work and family self-sufficiency requirement

Requires adult residents of public housing or residents receiving assistance under Title III, to contribute no less than 8 hours of work per month within the community in which the adult resides or participate on an ongoing basis in a program designed to promote economic self-sufficiency. Exceptions include working families, senior citizens, disabled families, persons attending school or vocational training, or physically impaired persons.

Section 107—Local Housing Management Plans

Requires each local housing and management authority to submit to a local elected official or officials that appoint the authority and then to the Secretary an annual Local Housing Management Plan that describes the mission, goals, objectives, and policies of the authority with respect to meeting the housing needs of low-income families.

The contents of the plan, which may be submitted as part of a comprehensive housing affordability strategy, also must include: a description of the authority's financial resources and how the resources will be used; the administrative, management, maintenance, capital improvement activities and capabilities of the authority; an estimate of the market rent value of each public hous-

ing unit; a statement describing the population that the authority serves, including the specific enumerated policies governing eligibility, admissions, and occupancy of families; a statement describing the rents the authority charges; a statement describing the authority's standards and policies relating to the maintenance and management of the housing owned, operated, or assisted, including specific enumerated issues; a statement describing the grievance procedures; a description of the planned capital improvements for properties owned or operated by the authority; a description of the properties to be demolished or otherwise disposed, including a timetable of such action; a description of the developments designated for elderly and disabled families, for conversion, a description of any homeownership programs, and a description of safety and crime prevention requirements.

Each plan must include a 5-year plan that describes the mission, goals and objectives, and capital improvements envisioned by the LHMA.

Each local housing and management authority must make its plan and any amendment thereto available to the public in a manner that affords affected public housing residents, assisted families, and other interested parties and opportunity to examine its content and to submit comments.

Certain waivers from plan requirements are provided for housing and management authorities that operate less than 250 public housing dwelling units or that only administer a rental assistance program under Title III.

Section 108—Review of plans

Discusses the standards by which the Secretary may review Local Housing Management Plans, notice of approval or disapproval, treatment of existing plans, and authority of a local housing and management authority to amend plans.

Section 109—Pet ownership

Authorizes Local Housing and Management Authorities and owners to establish policies under which recipients of assistance may own common household pets. Maintains the requirement that pets be permitted in senior-only and disabled persons-only housing.

Section 110—Administrative grievance procedure

Requires the Secretary by regulation to require local housing and management authorities to establish a grievance procedure that provides due process for residents, except in certain circumstances.

Section 111—Headquarters reserve fund

Authorizes the Secretary to retain 3% of funds appropriated under Title II and Title III for the purposes of providing assistance in the case of natural disasters, emergencies, settlement of litigation, or technical assistance, training, and electronic information systems.

Section 112—Labor standards

Provides that grants or sales under the Act are subject to prevailing wages under Davis-Bacon, except for volunteers and residents employed by LHMAs.

Section 113—Nondiscrimination

Requires local housing and management authorities and their contractors to comply with nondiscrimination and civil rights laws.

Section 114—Effective date of regulations

Provides that the provisions of the Act take effect upon enactment and permits the Secretary to promulgate appropriate regulations.

TITLE II—PUBLIC HOUSING

Subtitle A—Block Grants

Section 201—Block grant contracts

Provides general parameters for block grant contracts to be entered into between the Secretary and the local housing management authorities. The authority must agree to provide safe, clean, and healthy housing that is affordable in return for assistance. Contracts can be modified but not in any manner which would increase the amount of funds received in excess of the allocated amount or impair the rights of leaseholders or debt holders to which annual contributions have been pledged.

Prescribes that contracts may not be renewed unless the local housing management authority has been accredited by the Housing Foundation and Accreditation Board pursuant to section 434.

Section 202—Block grant authority and amount

Requires the Secretary to make a block grant to a local housing and management authority provided, in part, that the authority has submitted a community improvement plan, the plan has been reviewed and complies with the necessary requirements, the authority is accredited, the authority is exempt form local taxes or receives a contribution in lieu thereof.

Requires that, in return for receiving federal assistance, the LHMA to have entered into a local cooperation agreement with local government.

Allows the Secretary to provide grants to ineligible local housing and management authorities for a period necessary to secure an alternative management entity.

Section 203—Eligible and required activities

Authorizes grant uses for production, operation, modernization, resident programs, homeownership activities, resident management activities, demolition and disposition activities, payments in lieu of taxes, emergency corrections, preparation of Local Housing Management Plans, liability insurance, payment of obligations issued under the 1937 Act, and mutual help homeownership opportunity programs for Indian housing authorities.

Permits local housing and management authorities, in accordance with the Local Housing Management plans, to move towards a voucher program for certain buildings after a cost-benefit analysis of maintaining and modernizing the building as well as an evaluation of the available affordable housing.

Authorizes Secretary to withdraw funding from a local housing and management authority for specific projects.

Section 204—Determination of block grant allocation

Provides for interim allocations to local housing and management authorities pending creation of a permanent allocation formula using a negotiated rulemaking procedure.

Prescribes that chronically vacant units are ineligible to receive subsidy except to the extent of paying utilities.

Section 205—Sanctions for improper use of amounts

Allows the Secretary to terminate, withhold, reduce, limit the availability of payments under this Act if the LHMA does not comply with its requirements.

Subtitle B—Admissions and Occupancy Requirements

Section 221—Low-income housing requirements

Requires public housing produced under this Act (or the 1937 Act) to be operated as public housing for a 40-year period and limits sales of housing if the property has received operating subsidy within the last 10 years. Permits use of assistance for creating mixed-income developments.

Section 222—Family eligibility

Limits occupancy of public housing to families who, at the time of the initial occupancy, qualify as low-income. Local housing and management authorities may create a selection criteria for incoming residents that are aimed at creating an income mix that reflects the eligible population of that jurisdiction provided at least 25 percent of the units are occupied by families whose income does not exceed 30 percent of area median income. Certain income and eligibility restrictions may be waived by the LHMA that provide units to police officers, law enforcement, and security personnel.

Section 223—Preferences for occupancy

Authorizes local housing and management authority to establish local preferences and an opportunity for comments by interested parties.

Section 224—Admission procedures

Authorizes the local housing and management authority to ensure that each family residing in a public housing development owned or managed by the authority has been admitted in accordance with this title. Applicants who are denied admission must be granted a hearing.

Requires the National Crime Information Center and other law enforcement entities to provide certain confidential information to the local housing and management authority which information

such authority must maintain as confidential; the authority may pay a fee to the entity for the service. Further confidentiality is provided for victims of domestic violence.

Section 225—Family rental payment

Allows the local housing and management authority to determine appropriate resident rental contributions based on any factors that the authority considers relevant including the adjusted income of the resident, type and size of dwelling unity, and expenses of the authority. The contribution, however, must be between a minimum monthly rent of $25, and less than a maximum monthly rent established for the specific dwelling unit by the authority. The contribution includes the cost of utilities.

Monthly contribution increases, except as a result of the minimum contribution, greater than $15 per month that are a result of this Act shall be implemented in certain phases.

The contribution paid by the family must be reviewed annually and may be increased by up to 10 percent. The Secretary must review the minimum and maximum rents for public housing units and if a significant percentage of the residents are paying more than 30 percent of their income towards their contribution, the Secretary may require an authority to modify its contribution levels. Further, the Secretary must review an authority's maximum and minimum rents in public housing if less than 40 percent of the residents are not very low income.

Section 226—Lease requirements

Requires the local housing and management authority to utilize leases that require them to comply with housing quality requirements, to give adequate written notice of termination of the lease, and to terminate the lease only in cases where there is a violation of the terms or conditions of the lease or of applicable Federal, State, or local law, or for good cause.

States that leases must include provisions that cause for termination of the lease includes all acts within a resident's unit, including criminal activities. Leases also must provide residents with the right to review relevant documents related to any termination of eviction procedures instituted against them.

Section 227—Designated housing for elderly and disabled families

Permits local housing and management authority to designate all or part of a development as only elderly, only disabled, or only elderly and disabled as long as the designation is part of the Local Housing Management Plan. The authority must establish that the designation is necessary to meet certain goals and needs and include information regarding the supportive services and other assets that will be provided to serve the residents.

Allows LHMA to admit near-elderly applicants. The authority may not evict a resident because of the designation of such unit. A resident who relocates as a result of the designation, however, shall receive notice as soon as practicable, comparable housing, and payment of actual, reasonable moving expenses.

Subtitle C—Management

Section 231—Management procedures

Requires local housing and management authorities to ensure sound management and to contract with other entities to perform management functions.

Section 232—Housing quality requirements

Requires local housing and management authorities to maintain public housing pursuant to the local jurisdiction's laws, regulations, standards, or codes regarding habitability or, if the local jurisdiction does not have such laws, regulations, standards, or codes, than the authority must follow housing standards to be set by the Secretary. The authority must determine whether it is following a local jurisdiction's provisions or the Secretary's.

Requires annual inspections by the authority. Accompanying reports must be presented to the Secretary, the HUD Inspector General, and the Housing Foundation and Accreditation Board.

Section 233—Employment of residents

Allows a local housing and management authority to employ residents in any capacity and provides that contractors and subcontractors must use best efforts to employ and train residents of public housing.

Section 234—Resident councils and resident management corporations

Authorizes formation of resident councils by residents of a public housing development to consider issues relating to resident interests and to consult with the authority. A council shall be representative of the residents, shall adopt written procedures for the election of officers, and shall have a democratically elected governing board.

Allows residents to for non-profit resident management corporations to assume the responsibility of managing or purchasing a development. The corporation must be organized under state law, has as its sole voting members the residents of the development, and has the support of its resident council, if one exists, or alternatively, a majority of the households of the development.

Section 235—Management by resident management corporation

Allows a local housing and management authority may enter into a contract with a resident management corporation to manage one or more development. The contract must require the corporation to follow the relevant rules and laws of the Act and may include specific terms relevant to all other management issues. The corporation must provide the authority with bonding or insurance related to loss, theft, embezzlement, or fraudulent acts on the part of the corporation or its employees.

Provides that the contract of the corporation to be funded with a portion of a block grant to the authority and details of other expected income from the development for the corporation; the corporation may only use any excess income for eligible activities.

Section 236—Transfer of management of certain housing to independent manager at request of residents

Permits the Secretary, at the request of the residents, to transfer the management of any portion of a development, including an entire development, to an independent management entity in certain, specified circumstances.

Requires that transfers of management be approved by a majority of the resident council for the portion of the development and must be consulted. The authority must provide the independently managed development with its share of the block grant with adjustments determined by the Secretary based on various factors. The independent management must abide by the community improvement plan and is solely liable for its own acts, including acts by the resident council.

Section 237—Resident opportunity program

Reauthorizes Resident Opportunity Program for one year for $15 million with a sunset of the program at the end FY96.

Subtitle D—Homeownership

Section 251—Resident homeownership programs

Permits a local housing and management authority to create and implement a homeownership program involving its public housing units to low-income families. Residents may form an organization and hire experts to facilitate a cooperative purchase.

Subtitle E—Disposition, Demolition and Revitalization of Developments.

Section 261—Requirements for demolition and disposition of developments

Eliminates the requirement that for every unit a LHMA demolishes or disposes, it is required to replace on a one-for-one basis.

Provides local housing and management authorities with the parameters by which they may demolish or dispose of certain nonviable or nonmarketable developments consistent with their community improvement plan. Evidence justifying the disposal or demolition of a development include: severely distressed or obsolete, unsuitable location, financially infeasible for rehabilitation or operation, and retention of the development is not in the best interests of the authority. Parameters exist for partial disposition of demolition of a development and disposition of undeveloped property.

Requires the Local Housing Management Plan to include details relating to most aspects of the proposal to demolish or dispose of certain property including the purpose of the action, how the proceeds will be used, and how any residents will be relocated. In limited circumstances authorities may demolish or dispose of units not included in the plan.

Requires the LHMA to consult with local officials and residents of the development is required. The permitted uses of any proceeds from disposition include payment of project costs and other obligations, providing additional housing assistance, job training, child

care, or supportive services, and inducing private commercial enterprises on public housing sites. The relocation procedures for displaced families is defined. Further, resident organizations and resident management organizations are given special notice of disposition and a special right to purchase the project.

Section 262—Demolition, site revitalization, replacement housing, and choice-based assistance grants for developments

Reestablishes grant program to address severely distressed public housing developments. Grants must have local contribution of no less than 5 percent

Eligible activities include certain: architectural and engineering work, demolition, sale or lease costs, administrative costs, legal costs, moving expenses, economic development activities, management improvements, leveraging of other resources, replacement housing, security activities, supportive services.

Provides minimum requirements for applications under this section and outlines and requires the Secretary to establish selection criteria.

Provides that the Secretary must set cost limitations for eligible activities. Ensures that grant may be use for replacement housing or choice-based housing if such housing is available in the area. Permits contracting-out local management and housing authority if Secretary approves.

Provides that the Secretary shall submit a report to Congress setting forth certain aspects of the program.

No specific amount is authorized for this program. This program sunsets after September 30, 1996.

Subtitle F—General Provisions

Section 271—Conversion to block grant assistance.

Provides that any assistance available to public housing agencies in connection with appropriations prior to the enactment of the Act under any other act are subject to the provisions of the other act except as provided by the Secretary.

Section 272—Payment of non-federal share

Allows that the use value of public housing buildings developed or maintained by federal assistance may be used a non-federal share of federal programs requiring non-federal participation in programs assisting residents.

Section 273—Definitions

Section 274—Authorization of appropriations for block grants

Authorizes $6.3 billion as the appropriation level for each fiscal year through 2000.

Section 275—Authorization of appropriations for operation safe home

Authorizes $700,000 per fiscal year for relocation expenses of families relocated under the Witness Protection Program of Operation Safe Home. Clarifies that assistance may be provided to victims of domestic violence.

TITLE III—CHOICE-BASED RENTAL HOUSING AND HOMEOWNERSHIP ASSISTANCE FOR LOW-INCOME FAMILIES

Subtitle A—Allocation

Section 301—Authority to provide housing assistance amounts

Authorizes the Secretary to make grants to local housing management authorities.

Section 302—Contracts with LHMAs

Authorizes contracts for one fiscal year. Local housing and management authorities are required to enforce housing quality standards and to establish a grievance procedure for residents who allege non-compliance of such quality standards.

Section 303—Eligibility of LHMAs for assistance amounts

Provides that assistance may be allocated only to those LHMAs that: (1) have submitted a Local Housing Management Plan that has been approved by the Secretary; (2) are accredited; (3) that have no members that have been convicted of a felony; (4) that are not dysfunctional under subtitle B of Title IV.

Section 304—Allocation of amounts

Requires the Secretary to determine a formula for allocating assistance based, in part, on census data, various needs of communities, and the comprehensive housing affordability strategy of a community, pursuant to a negotiated rulemaking process. Up to 50 percent of the funds that are unobligated by a local housing and management authority for a period of 8 months may be recaptured by the Secretary.

Requires the Secretary to determine the set-aside for an Indian tenant-based program.

Section 305—Administrative Fees

Sets administrative fee for local housing and management authority at 6.5 percent of grant amount for the first 600 units at fair market rent for a two bedroom and 6.0 percent of the grant amount for all units in excess of 600. The Secretary may increase this fee in certain circumstances.

Administrative fees for vouchers that are used outside of a housing authority's jurisdiction must be transferred to the housing authority where the voucher is used after 60 days.

Section 306—Authorizations of appropriations

Authorizes $1,861,668,000 grant under this title as the appropriation level for each fiscal year through 2000, including $50 million for nonelderly disabled families for each fiscal year.

Section 307—Conversion of section 8 assistance

Requires conversion of the amount of unused section 8 assistance prior to be used for grants under this title unless the Secretary determines such conversion would be inconsistent with existing commitments.

Subtitle B—Choice-based Housing Assistance for Eligible Families

Section 321—Eligible families and preferences for assistance

Requires that assistance under this title be provided to families who are low-income families or otherwise qualified by federal law. Income reviews take place annually. Preferences may be determined by local management and housing authorities after public hearing and an opportunity for interested parties to comment.

Allows LHMAs to assist previously assisted families moving into their jurisdiction. If a wait-listed family moves to (a) a jurisdiction where the authority has an open waiting list for choice-based housing, such family shall be placed in the position it would have been based on the date it was placed on the original jurisdiction's waiting list or (b) a jurisdiction where the authority has a closed waiting list, such family shall be placed at the end of the waiting list unless the family moved because of a verifiable employment opportunity in which case the family will be placed in the waiting list based on letter (a) above. An authority may deny assistance to an eligible family who has moved from another authority's jurisdiction and who's eligibility was terminated by the other jurisdiction for reasons other than income or change of residence. The authority also may set policies to prohibit residents whose tenancy has been terminated for a serious violation from attaining continued housing assistance. Confidentiality is provided for victims of domestic violence.

Section 322—Resident contribution

Authorizes local housing and management authority to determine a resident's rental contribution based on any factors that the authority considers relevant including the adjusted income of the resident, type and size of dwelling unit, and expenses of the authority. The contribution may not be lower than $25 and must include the utility costs paid by the resident. If the contribution exceeds the payment standard, the residents must pay their contribution and the difference between the payment standard and the rent level. The authority may waive rent contribution limits it deems inappropriate for disabled and elderly families. The authority may raise the contribution of a resident by up to 10 percent annually.

Monthly contribution increases, except as a result of the minimum contribution, greater than $15 per month that is a result of this Act shall be implemented in certain phases.

Section 323—Rental indicators

Requires the Secretary to establish and to publish annually rental indicators for a market area that may vary depending on the size and type of the dwelling unit. The rental indicators shall be adjusted annually based on the most recent available data.

Section 324—Lease terms

Allows the owner of property to utilize leases that are restricted only in accordance with section 325 and that are in the standard form to which other residents in the local housing market have agreed.

Section 325—Termination of tenancy

Allows owners to terminate leases only in cases where the terms or conditions of the lease, the applicable Federal, State, or local law have been violated, or for good cause.

Requires that leases include provisions that notify residents that "cause" for lease termination includes all acts within a resident's unit, including criminal activities. An owner must follow applicable State or local laws when terminating or evicting a resident under this title.

Section 326—Eligible owners

Prescribes that eligible owners include individuals or entities that have not been debarred from participating in Federal programs.

Section 327—Selection of dwelling units

Permits the assisted family to make the determination of which dwelling unit they will lease provided the dwelling unit does not violate local deed restrictions.

Section 328—Eligible dwelling units

Limits eligible dwelling units to be those that are not located in a nursing home, penal, reformatory, medical, mental, or similar public or private institution. Each unit must be maintained to the extent required by the local jurisdiction's laws, regulations, standards, or codes regarding habitability or, if the local jurisdiction does not have such laws, regulations, standards, or codes, then the unit must be maintained at a standard to be set by the Secretary.

Requires the LHMA to inspect, at least annually, each dwelling unity and to submit a report to the Secretary, the Inspector General, and the Housing Foundation and Accreditation Board.

Section 329—Homeownership option

Allows local housing and management authorities to use funds under this title to assist low-income families towards homeownership. Eligible families must have an income from employment or sources other than public assistance, and must meet initial and continuing requirements established by the authority.

Subtitle C—Payment of Housing Assistance on Behalf of Assisted Families

Section 351—Housing assistance payments contracts

Allows local housing and management authorities to enter into contracts with owners by which owners screen residents, provide units for eligible families, and authorities make payments directly to owners on behalf of the eligible families. The authority may enter into a contract with itself for units it manages or owns. The term of the contract shall have a term of no less more than 12 months; a lease pursuant to such a contract must conform with the provisions of sections 324, 325, and 328(a)(2) of this title.

Section 352—Amount of monthly assistance payment

States that the monthly payment for assistance under this title is (a) in the case of a unit with gross rent that is less than the payment standard under section 353, gross rent minus the renter's contribution and (b) in the case of a unit with gross rent that is more than the payment standard under section 353, the renter's contribution minus the gross rent.

Section 353—Payment standards

Permits each local housing and management authority providing assistance under this title to establish payment standards for their local market areas. The payment standards may vary depending on the size and type of the dwelling unit. The Secretary must review an authority's payment standard and if a significant percentage of the residents are paying more than 30 percent of their income towards their payment standard, the Secretary may require an authority to modify its payment standard.

Section 354—Reasonable rents

Permits the rent to be set at levels based upon a negotiation between the owner and the renter. The local housing and management authority, however, shall determine whether the rent negotiated exceeds the rent charged for comparable units. If the authority determines that the rent negotiated exceed comparable rents, it shall notify the renter and may refuse to provide the payments for such units.

Section 355—Prohibition of assistance for vacant rental units

Prohibits payments to units that are vacated by residents during the following month.

Subtitle D—General and Miscellaneous Provisions

Section 371—Definitions

Section 372—Rental assistance fraud recoveries

Permits local housing and management authorities to retain the greater of 50 percent of the amounts recaptured from renters who abuse the program or expenses of the collection effort. The authority must use the proceeds within the assistance program.

Section 373—Study regarding geographic concentration of assisted families

Requires Secretary to conduct a study which addresses and resolves the problems associated with the concentration of assisted families in Cook County, Illinois.

TITLE IV—ACCREDITATION AND OVERSIGHT OF LOCAL HOUSING AND MANAGEMENT AUTHORITIES

Subtitle A—Housing Foundation and Accreditation Board

Section 401—Establishment

Establishes the Housing Foundation and Accreditation Board (the "Board").

Section 402—Membership

Requires the President, not later than 180 days after enactment, to appoint 12 members to the Board: four individuals of 10 recommended by the Secretary; four individuals of 10 recommended by the chairman and ranking minority member of the Committee on Banking, Housing, and Urban Affairs of the Senate; and four individuals of 10 recommended by the chairman and ranking minority member of the Committee on Banking and Financial Services of the House of Representatives.

Establishes the membership of the Board to consist of two members of public or section 8 housing, two members who are executive directors of local housing and management authorities, one member who is a member of the Institute of Real Estate Managers, and one member who is the owner of a multifamily housing project which receives assistance from HUD. Moreover, at least one member must have extensive experience in residential real estate finance; operating a nonprofit that provides affordable housing; constructing multifamily housing; managing a community development corporation. No more than six members may be of the same political party.

Mandates that members will serve one four year term, that is staggered, with the original appointees receiving terms of one, two, three, or four years. Standard appointment, resignation, election of a chairperson, and other governing rules are stated.

Provides only for expenses to be reimbursed.

Section 403—Functions

Requires the Board to evaluate deep subsidy programs, establish performance benchmarks for local housing and management authorities, establish a procedure for accrediting authorities (pursuant to section 431(b)), and classify authorities pursuant to section 434.

Section 404—Initial establishment of standards and procedures for LHMA compliance

Requires the Board to establish standards, guidelines, and procedures for accrediting LHMA's under section 431. Prior to issuing such standards, guidelines, and procedures, the Board shall submit a copy to the Congress. When the Board initiates evaluation of local housing and management authorities, it shall begin with the "troubled" public housing agencies.

Section 405—Powers

Allows the Board to hold hearings when and where it deems appropriate. The Board may determine and adopt rules governing its operations. The Board shall have access to any information it needs from other federal government sources and any information from local housing and management authorities to the same extent as the Secretary. Government Services Administration shall provide necessary reimbursable support services. HUD shall provide, at the discretion of the Secretary, nonreimbursable personnel to the Board.

Provides the Board with authority to contract for services with any entity. The staff of the Board shall include an executive director and other personnel.

Section 406—Fees

Requires the Board to establish and charge fees for the accreditation of local housing and management authorities which will be used to cover the costs of the operation of the Board. The funds will be deposited in the U.S. Treasury and made available to the Board through appropriation acts.

Section 407—Reports

Requires the Board to submit certain reports to Congress annually.

Subtitle B—Accreditation and Oversight Standards and Procedures

Section 431—Establishment of performance benchmarks and accreditation procedures

Authorizes the Board to establish standards and guidelines for classifying local housing and management authorities according to their operational and financial functions; for providing, maintaining, and assisting low-income housing that is safe, clean and healthy, that is consistent with the comprehensive housing affordability strategy, and that is occupied by and affordable to eligible families; for producing low-income housing and executing capital projects, if applicable; administering assistance under title III; for accomplishing goals and plans set forth in the neighborhood improvement plan for the authority; promoting responsibility and self-sufficiency among the residents it is serving; and for complying with the other requirements under titles II and III.

Establishes levels of performance including those LHMAs that are exceptionally well-managed, well-managed, at risk of being troubled, troubled, and dysfunctional. The Board also shall establish a minimum accreditation standard for purposes of authorizing local housing and management authorities to receive assistance under titles II and III.

Authorizes the Board to establish procedures for reviewing the performance of and giving accreditation to each local housing and management authority. The review shall occur during the last year of accreditation for the specific authority or prior to the first agreement under titles II and III.

Authorizes the Secretary in certain circumstances where a local housing and management authority is at risk of becoming troubled to (1) enter into performance agreements with the authority and (2) solicit proposals from other management entities.

Authorizes the Secretary to continue utilizing the Public Housing Management Assessment Program (PHMAP) until the Board creates a new assessment tool.

Section 432—Annual financial and performance audit

Requires each local housing and management authority to conduct an annual financial and performance audit and to submit the results to the Secretary, the Board, and certain locally elected offi-

cials. Procedures for the selection of an auditor, access to all relevant records, design of audit are described. The Secretary may withhold the amount of the cost of an audit from an authority that does not comply with this section.

Section 433—Accreditation

Provides the procedures for accreditation of each local housing and management authority including the timing of review, the initial evaluation, determination of accreditation, and the length of the accreditation.

Section 434—Classification by performance category

Allows the Board to classify each local housing and management authority by the performance categories under section 431(a)(2).

Section 435—Performance agreements for authorities at risk of becoming troubled

Requires a local housing and management authority that is classified as troubled to enter into an agreement with the Secretary that provides a framework for improving the authority's management. The agreement shall contain targets for improving performance during the next 12-month period, strategies for meeting such targets, sanction for not implementing the strategies, and a plan for enhancing resident involvement in management. The agreement should maximize the assistance of local public and private entities.

Section 436—Performance agreements and CDBG sanctions for troubled authorities

Requires, upon default of a LHMA, the Secretary to take those actions authorized under section 437(b)(2) and to redirect or withhold CDBG funds for the geographical jurisdiction of the authority.

Section 437—Option to demand conveyance of title to or possession of public housing

Provides that contracts under title II may provide that upon a default or a classification as dysfunctional, the local housing and management authority may be obligated by the Secretary to convey title in any case necessary to achieve the purposes of this Act or deliver to the Secretary possession of the development to which such contract relates. If the contract permits the preceding action, it also shall provide that the Secretary shall be obligated to reconvey the assist to the authority or its successor in interest as soon as practicable after the defaults have been cured and the authority will operate under the contract or upon the termination of the contract.

Section 438—Removal of ineffective LHMA's

Authorizes the Secretary to solicit proposals from other entities to manage all or part of the authority's assets, (b) take possession of all or part of the authority's assets, (c) require the authority to make other arrangements to manage its assets, or (d) petition for the appointment of a receiver for the authority, upon a substantial default by a local housing and management authority of certain ob-

ligations. These obligations include an agreement pursuant to section 435, designation as dysfunctional pursuant to section 431(a)(2)(e), the failure of an authority to be accredited, or submission to the Secretary of a by petition of the residents. The Secretary may provide emergency assistance to a successor entity of an authority.

Authorizes the Secretary to abrogate contracts, demolish and dispose of assets pursuant to this title, provide for the establishment of additional housing and management authorities to manage the assets, or consolidate the assets into other authorities, with the other authorities' consent. Further, the Secretary shall not be subject to certain state and local laws and shall have the maximum amount of authority as a receiver appointed by a federal district court.

Permits the Secretary to appoint or delegate to an individual or an entity to assume the Secretary's responsibilities and powers under this paragraph except for certain powers.

Allows an appointed receiver to abrogate contracts that impede correction of the default or improvement of the authorities classification, demolish and dispose of assets in accordance with this title, create new local housing and management authorities in consultation with the Secretary, and to abrogate certain state and local laws.

Section 439—Mandatory takeover of chronically troubled PHA's

Requires the Secretary to take-over each chronically troubled public housing agency not later than 180 days after the date of the enactment. The Secretary may either solicit proposals and take the necessary actions to replace management of the agency pursuant to section 437(b)(1) or take possession of the agency pursuant to section 437(b)(2).

Section 440—Treatment of troubled PHA's

Requires the locality to describe how it will assist an agency deemed "troubled" in its comprehensive housing affordability strategy or a consolidated plan.

Section 441—Maintenance of and access to records

Requires each local housing and management authority to maintain appropriate records and the Secretary and the Comptroller General of the United States shall have access to such records.

Section 442—Annual reports regarding troubled LHMA's

Requires the Secretary to submit a report to Congress that identifies troubled and dysfunctional local housing management authorities, those that have lost their accreditation, and any action taken pursuant to sections 433, 434, 435, and 436.

Section 443—Applicability to resident management corporations

Applies this subtitle's provisions to resident management corporations.

Section 444—Inapplicability to Indian housing

Removes certain sections from being applied to Indian housing authorities.

TITLE V—REPEALS AND CONFORMING AMENDMENTS

Section 501—Repeals

Section 502—Conforming and technical provisions

Section 503—Amendments to Public and Assisted Housing Drug Elimination Act of 1990

Amends Chapter 2 of subtitle C of title V of the Anti Drug-Abuse Act of 1988 by changing the drug elimination program into a block grant and including crime prevention as an eligible activity. The program terminates on September 30, 1996.

Chapter 2—Community Partnership Against Crime

Section 5121—Short title

This chapter may be cited as the ''Community Partnerships Against Crime Act of 1996.''

Section 5122—Purposes

States that the purpose of the Community Partnerships Against Crime Act of 1996 is to improve the quality of public housing residents by:

(1) reducing the levels of fear, violence, and crime;

(2) broadening the scope of the Public and Assisted Housing Drug Elimination Act of 1990 to apply to all crime that is drug-related; and

(3) reducing crime and disorder through expansion of community-oriented policing activities and problem solving.

Section 5123—Authority to make grants

Authorizes the Secretary to make grants to LHMA's private for-profit and non-profit owners for the stated purpose of crime elimination in and around public housing.

Amends Section 5124 (a)(b) of the Anti-Drug Abuse Act of 1988 for funding to support increased crime prevention activities.

Section 5125—Grant procedures

Authorizes the Secretary to make grants each fiscal year to approved LHMA's that own or operate 250 or more public housing dwelling units on condition that the LHMA submits an application that includes a 5-year crime deterrence and reduction plan that describes the (1) nature of the problem, (2) buildings affected by the problem, (3) impact on residents, and (4) the action proposed to deter such crime.

Authorizes the Secretary to conduct yearly performance reviews, and to establish deadlines and regulations or applications.

Authorizes the Secretary to make grants each fiscal year to smaller LHMA's based upon the (1) extent of the crime problem, (2) quality of the plan to address the problem, (3) capability of the

applicant to carry out the plan, (4) extent of governmental, organizational, and community support for the plan.

Amends Sections 5126, 5127, 5128, and 5130 of the Anti-Drug Abuse Act of 1988.

Section 5130—Funding

Authorizes the Secretary to appropriate amounts based upon the following percentages: 85 percent available for LHMA's that own or operate 250 or more public housing dwelling units, 10 percent available for smaller LHMA's, and 5 percent available for assistance to federally assisted low-income housing.

Section 5131—Project termination

Provides that the program shall terminate at the end of September 30, 1996.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

UNITED STATES HOUSING ACT OF 1937

[TITLE I—GENERAL PROGRAM OF ASSISTED HOUSING

[SHORT TITLE

[SECTION 1. This Act may be cited as the "United States Housing Act of 1937".

[DECLARATION OF POLICY

[SEC. 2. It is the policy of the United States to promote the general welfare of the Nation by employing its funds and credit, as provided in this Act, to assist the several States and their political subdivisions to remedy the unsafe and unsanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of lower income and, consistent with the objectives of this Act, to vest in local public housing agencies the maximum amount of responsibility in the administration of their housing programs. No person should be barred from serving on the board of directors or similar governing body of a local public housing agency because of his tenancy in a low-income housing project.

[RENTAL PAYMENTS; DEFINITIONS

[SEC. 3. (a)(1) Dwelling units assisted under this Act shall be rented only to families who are low-income families at the time of their initial occupancy of such units. Reviews of family income shall be made at least annually. Except as provided in paragraph (2), a family shall pay as rent for a dwelling unit assisted under this Act (other than a family assisted under section 8(o) or (y) or

paying rent under section 8(c)(3)(B)) the highest of the following amounts, rounded to the nearest dollar:

[(A) 30 per centum of the family's monthly adjusted income;

[(B) 10 per centum of the family's monthly income; or

[(C) if the family is receiving payments for welfare assistance from a public agency and a part of such payments, adjusted in accordance with the family's actual housing costs, is specifically designated by such agency to meet the family's housing costs, the portion of such payments which is so designated.

[(2)(A) Any public housing agency may provide that each family residing in a public housing project owned and operated by such agency (or in low-income housing assisted under section 8 that contains more than 2,000 dwelling units) shall pay as monthly rent an amount determined by such agency to be appropriate that does not exceed a maximum amount that—

[(i) is established by such agency and approved by the Secretary;

[(ii) is not more than the amount payable as rent by such family under paragraph (1); and

[(iii) is not less than the average monthly amount of debt service and operating expenses attributable to dwelling units of similar size in public housing projects owned and operated by such agency.

[(B) The terms of all ceiling rents established prior to the date of enactment of the Department of Housing and Urban Development Reform Act of 1989 shall be extended without time limitation.

[(b) When used in this Act:

[(1) The term ''low-income housing'' means decent, safe, and sanitary dwellings assisted under this Act. The term ''public housing'' means low-income housing, and all necessary appurtenances thereto, assisted under this Act other than under section 8. When used in reference to public housing, the term ''low-income housing project'' or ''project'' means (A) housing developed, acquired, or assisted by a public housing agency under this Act, and (B) the improvement of any such housing.

[(2) The term ''low-income families'' means those families whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of prevailing levels of construction costs or unusually high or low family incomes. The term ''very low-income families'' means low-income families whose incomes do not exceed 50 per centum of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 50 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes. Such ceilings shall be established in consultation with the Secretary of Agriculture for any rural area, as defined in section

520 of the Housing Act of 1949, taking into account the subsidy characteristics and types of programs to which such ceilings apply. In determining median incomes (of persons, families, or households) for an area or establishing any ceilings or limits based on income under this Act, the Secretary shall determine or establish area median incomes and income ceilings and limits for Westchester County, in the State of New York, as if such county were an area not contained within the metropolitan statistical area in which it is located. In determining such area median incomes or establishing such income ceilings or limits for the portion of such metropolitan statistical area that does not include Westchester County, the Secretary shall determine or establish area median incomes and income ceilings and limits as if such portion included Westchester County.

[(3) PERSONS AND FAMILIES.—

[(A) SINGLE PERSONS.—The term "families" includes families consisting of a single person in the case of (i) an elderly person, (ii) a disabled person, (iii) a displaced person, (iv) the remaining member of a tenant family, and (v) any other single persons. In no event may any single person under clause (v) of the first sentence be provided a housing unit assisted under this Act of 2 or more bedrooms. In determining priority for admission to housing under this Act, the Secretary shall give preference to single persons who are elderly, disabled, or displaced persons before single persons who are eligible under clause (v) of the first sentence.

[(B) FAMILIES.—The term "families" includes families with children and, in the cases of elderly families, near-elderly families, and disabled families, means families whose heads (or their spouses), or whose sole members, are elderly, near-elderly, or persons with disabilities, respectively. The term includes, in the cases of elderly families, near-elderly families, and disabled families, 2 or more elderly persons, near-elderly persons, or persons with disabilities living together, and 1 or more such persons living with 1 or more persons determined under the regulations of the Secretary to be essential to their care or well-being.

[(C) ABSENCE OF CHILDREN.—The temporary absence of a child from the home due to placement in foster care shall not be considered in determining family composition and family size.

[(D) ELDERLY PERSON.—The term "elderly person" means a person who is at least 62 years of age.

[(E) PERSON WITH DISABILITIES.—The term "person with disabilities" means a person who—

[(i) has a disability as defined in section 223 of the Social Security Act,

[(ii) is determined, pursuant to regulations issued by the Secretary, to have a physical, mental, or emotional impairment which (I) is expected to be of long-continued and indefinite duration, (II) substantially impedes his or her ability to live independently, and

(III) is of such a nature that such ability could be improved by more suitable housing conditions, or

[(iii) has a developmental disability as defined in section 102 of the Developmental Disabilities Assistance and Bill of Rights Act.

Such term shall not exclude persons who have the disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome.

[(F) DISPLACED PERSON.—The term ''displaced person'' means a person displaced by governmental action, or a person whose dwelling has been extensively damaged or destroyed as a result of a disaster declared or otherwise formally recognized pursuant to Federal disaster relief laws.

[(G) NEAR-ELDERLY PERSON.—The term ''near-elderly person'' means a person who is at least 50 years of age but below the age of 62.

[(4) The term ''income'' means income from all sources of each member of the household, as determined in accordance with criteria prescribed by the Secretary, in consultation with the Secretary of Agriculture, except that any amounts not actually received by the family and any amounts which would be eligible for exclusion under section 1613(a)(7) of the Social Security Act (42 U.S.C. 1382b(a)(7)) may not be considered as income under this paragraph.

[(5) The term ''adjusted income'' means the income which remains after excluding—

[(A) $550 for each member of the family residing in the household (other than the head of the household or his spouse) who is under 18 years or age or who is 18 years of age or older and is disabled or handicapped or a full-time student;

[(B) $400 for any elderly or disabled family;

[(C) the amount by which the aggregate of the following expenses of the family exceeds 3 percent of annual family income: (i) medical expenses for any family; and (ii) reasonable attendant care and auxiliary apparatus expenses for each handicapped member of any family, to the extent necessary to enable any member of such family (including such handicapped member) to be employed;

[(D) child care expenses to the extent necessary to enable another member of the family to be employed or to further his or her education;

[(E) 10 percent of the earned income of the family;

[(F) any payment made by a member of the family for the support and maintenance of any child, spouse, or former spouse who does not reside in the household, except that the amount excluded under this subparagraph shall not exceed the lesser of (i) the amount that such family member has a legal obligation to pay; or (ii) $550 for each individual for whom such payment is made; and

[(G) excessive travel expenses, not to exceed $25 per family per week, for employment- or education-related

travel, except that this subparagraph shall apply only to families assisted by Indian housing authorities.

[(6) The term "public housing agency" means any State, county, municipality, or other governmental entity or public body (or agency or instrumentality thereof) which is authorized to engage in or assist in the development or operation of low-income housing. The term includes any Indian housing authority.

[(7) The term "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, the territories and possessions of the United States, the Trust Territory of the Pacific Islands, and Indian tribes.

[(8) The term "Secretary" means the Secretary of Housing and Urban Development.

[(9) The term "Indian" means any person recognized as being an Indian or Alaska Native by an Indian tribe, the Federal Government, or any State.

[(10) The term "Indian area" means the area within which an Indian housing authority is authorized to provide low-income housing.

[(11) The term "Indian housing authority" means any entity that—

[(A) is authorized to engage in or assist in the development or operation of low-income housing for Indians; and

[(B) is established—

[(i) by exercise of the power of self-government of an Indian tribe independent of State law; or

[(ii) by operation of State law providing specifically for housing authorities for Indians, including regional housing authorities in the State of Alaska.

[(12) The term "Indian tribe" means any tribe, band, pueblo, group, community, or nation of Indians or Alaska Natives.

[(c) When used in reference to public housing:

[(1) The term "development" means any or all undertakings necessary for planning, land acquisition, demolition, construction, or equipment, in connection with a low-income housing project. The term "development cost" comprises the costs incurred by a public housing agency in such undertakings and their necessary financing (including the payment of carrying charges), and in otherwise carrying out the development of such project. Construction activity in connection with a low-income housing project may be confined to the reconstruction, remodeling, or repair of existing buildings.

[(2) The term "operation" means any or all undertakings appropriate for management, operation, services, maintenance, security (including the cost of security personnel), or financing in connection with a low-income housing project. The term also means the financing of tenant programs and services for families residing in low-income housing projects, particularly where there is maximum feasible participation of the tenants in the development and operation of such tenant programs and services. As used in this paragraph, the term "tenant programs and services" includes the development and maintenance of tenant organizations which participate in the management of low-in-

come housing projects; the training of tenants to manage and operate such projects and the utilization of their services in project management and operation; counseling on household management, housekeeping, budgeting, money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community services; services which are directly related to meeting tenant needs and providing a wholesome living environment; and referral to appropriate agencies in the community when necessary for the provision of such services. To the maximum extent available and appropriate, existing public and private agencies in the community shall be used for the provision of such services.

[(3) The term "acquisition cost" means the amount prudently required to be expended by a public housing agency in acquiring property for a low-income housing project.

[The earnings of and benefits to any public housing resident resulting from participation in a program providing employment training and supportive services in accordance with the Family Support Act of 1988, section 22 of this Act, or any comparable Federal, State, or local law shall not be considered as income for the purposes of determining a limitation on the amount of rent paid by the resident during—

[(1) the period that the resident participates in such program; and

[(2) the period that—

[(A) begins with the commencement of employment of the resident in the first job acquired by the person after completion of such program that is not funded by assistance under this Act; and

[(B) ends on the earlier of—

[(i) the date the resident ceases to continue employment without good cause as the Secretary shall determine; or

[(ii) the expiration of the 18-month period beginning on the date referred to in subparagraph (A).

[LOANS FOR LOWER INCOME HOUSING PROJECTS

[SEC. 4. (a) The Secretary may make loans or commitments to make loans to public housing agencies to help finance or refinance the development, acquisition, or operation of low-income housing projects by such agencies. Any contract for such loans and any amendment to a contract for such loans shall provide that such loans shall bear interest at a rate specified by the Secretary which shall not be less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, plus one-eighth of 1 per centum. Such loans shall be secured in such manner and shall be repaid within such period not exceeding forty years, or not exceeding forty years from the date of the bonds evidencing the loan, as the Secretary may determine. The Secretary may require loans or commitments to make loans under this section to be pledged as security for obligations is-

sued by a public housing agency in connection with a low-income housing project.

[(b) The Secretary may issue and have outstanding at any one time notes and other obligations for purchase by the Secretary of the Treasury in an amount which will not, unless authorized by the President, exceed $1,500,000,000. For the purpose of determining obligations incurred to make loans pursuant to this Act against any limitation otherwise applicable with respect to such loans, the Secretary shall estimate the maximum amount to be loaned at any one time pursuant to loan agreements then outstanding with public housing agencies. Such notes or other obligations shall be in such forms and denominations and shall be subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. The notes or other obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as shall be determined by the Secretary of the Treasury. The Secretary of the Treasury is authorized and directed to purchase any notes or other obligations of the Secretary issued hereunder and for such purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, United States Code, and the purposes for which securities may be issued under such chapter are extended to include any purchases of such obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States.

[(c)(1) At such times as the Secretary may determine, and in accordance with such accounting and other procedures as the Secretary may prescribe, each loan made by the Secretary under subsection (a) that has any principal amount outstanding or any interest amount outstanding or accrued shall be forgiven; and the terms and conditions of any contract, or any amendment to a contract, for such loan with respect to any promise to repay such principal and interest shall be canceled. Such cancellation shall not affect any other terms and conditions of such contract, which shall remain in effect as if the cancellation had not occurred. This paragraph shall not apply to any loan the repayment of which was not to be made using annual contributions, or to any loan all or part of the proceeds of which are due a public housing agency from contractors or others.

[(2)(A) On the date of the enactment of the Housing and Community Development Reconciliation Amendments of 1985, each note or other obligation issued by the Secretary to the Secretary of the Treasury pursuant to subsection (b), together with any promise to repay the principal and unpaid interest that has accrued on each note or obligation, shall be forgiven; and any other term or condition specified by each such obligation shall be canceled.

[(B) On September 30, 1986, and on any subsequent September 30, each such note or other obligation issued by the Secretary to the Secretary of the Treasury pursuant to subsection (b) during the fiscal year ending on such date, together with any promise to repay the principal and unpaid interest that has accrued on each note or

obligation, shall be forgiven; and any other term or condition specified by each such obligation shall be canceled.

[(3) Any amount of budget authority (and contract authority) that becomes available during any fiscal year as a result of the forgiveness of any loan, note, or obligation under this subsection shall be rescinded.

[CONTRIBUTIONS FOR LOWER INCOME HOUSING PROJECTS

[SEC. 5. (a)(1) The Secretary may make annual contributions to public housing agencies to assist in achieving and maintaining the lower income character of their projects. The Secretary shall embody the provisions for such annual contributions in a contract guaranteeing their payment. The contribution payable annually under this section shall in no case exceed a sum equal to the annual amount of principal and interest payable on obligations issued by the public housing agency to finance the development or acquisition cost of the lower income project involved. Annual contributions payable under this section shall be pledged, if the Secretary so requires, as security for obligations issued by a public housing agency to assist the development or acquisition of the project to which annual contributions relate and shall be paid over a period not to exceed 40 years.

[(2) The Secretary may make contributions (in the form of grants) to public housing agencies to cover the development cost of public housing projects. The contract under which such contributions shall be made shall specify the amount of capital contributions required for each project to which the contract pertains, and that the terms and conditions of such contract shall remain in effect for a 40-year period.

[(3) The amount of contributions that would be established for a newly constructed project by a public housing agency designed to accommodate a number of families of a given size and kind may be established under this section for a project by such public housing agency that would provide housing for the comparable number, sizes, and kinds of families through the acquisition and rehabilitation, or use under lease, of structures that are suitable for low-income housing use and obtained in the local market.

[(b) The Secretary may prescribe regulations fixing the maximum contributions available under different circumstances, giving consideration to cost, location, size, rent-paying ability of prospective tenants, or other factors bearing upon the amounts and periods of assistance needed to achieve and maintain low rentals. Such regulations may provide for rates of contribution based upon development, acquisition, or operation costs, number of dwelling units, number of persons housed, interest charges, or other appropriate factors.

[(c)(1) The Secretary may enter into contracts for annual contributions aggregating not more than $7,875,049,000 per annum, which amount shall be increased by $1,494,400,000 on October 1, 1980, and by $906,985,000 on October 1, 1981. The additional authority to enter into such contracts provided on or after October 1, 1980, shall be effective only in such amounts as may be approved in appropriation Acts. In addition, the aggregate amount which may be obligated over the duration of the contracts may not exceed

$31,200,000 with respect to the additional authority provided on October 1, 1980, and $18,087,370,000 with respect to the additional authority provided on October 1, 1981.

[(2) The Secretary shall enter into only such new contracts for preliminary loans as are consistent with the number of dwelling units for which contracts for annual contributions may be entered into.

[(3) The full faith and credit of the United States is solemnly pledged to the payment of all annual contributions contracted for pursuant to this section, and there are hereby authorized to be appropriated in each fiscal year, out of any money in the Treasury not otherwise appropriated, the amounts necessary to provide for such payments.

[(4) All payments of annual contributions pursuant to this section shall be made out of any funds available for purposes of this Act when such payments are due, except that funds obtained through the issuance of obligations pursuant to section 4(b) (including repayments or other realizations of the principal of loans made out of such funds) shall not be available for the payment of such annual contributions.

[(5) During such period as the Secretary may prescribe for starting construction, the Secretary may approve the conversion of public housing development authority for use under section 14 or for use for the acquisition and rehabilitation of property to be used in public housing, if the public housing agency, after consultation with the unit of local government, certifies that such assistance would be more effectively used for such purpose, and if the total number of units assisted will not be less than 90 per centum of the units covered by the original reservation.

[(6) The aggregate amount of budget authority which may be obligated for contracts for annual contributions and for grants under section 17 is increased by $9,912,928,000 on October 1, 1983, and by such sums as may be approved in appropriation Acts on October 1, 1984. The aggregate amount of budget authority that may be obligated for contracts for annual contributions for assistance under section 8, for contracts referred to in paragraphs (7)(A)(iv) and (7)(B)(iv), for grants for public housing, for comprehensive improvement assistance, and for amendments to existing contracts, is increased (to the extent approved in appropriation Acts) by $7,167,000,000 on October 1, 1987, and by $7,300,945,000 on October 1, 1988. The aggregate amount of budget authority that may be obligated for assistance referred to in paragraph (7) is increased (to the extent approved in appropriation Acts) by $16,194,000,000 on October 1, 1990, and by $14,709,400,000 on October 1, 1991. The aggregate amount of budget authority that may be obligated for assistance referred to in paragraph (7) is increased (to the extent approved in appropriation Acts) by $14,710,990,520 on October 1, 1992, and by $15,328,852,122 on October 1993.

[(7)(A) Using the additional budget authority provided under paragraph (6) and the balances of budget authority that become available during fiscal year 1993, the Secretary shall, to the extent approved in appropriation Acts, reserve authority to enter into obligations aggregating—

[(i) for public housing grants under subsection (a)(2), not more than $830,900,800, of which amount not more than $257,320,000 shall be available for Indian housing;

[(ii) for assistance under section 8, not more than $1,977,662,720, of which $20,000,000 shall be available for 15-year contracts for project-based assistance to be used for a multicultural tenant empowerment and homeownership project located in the District of Columbia, except that assistance provided for such project shall not be considered for purposes of the percentage limitations under section 8(i)(2); except that not more than 49 percent of any amounts appropriated under this clause may be used for vouchers under section 8(o);

[(iii) for comprehensive improvement assistance grants under section 14(k), not more than $3,100,000,000;

[(iv) for assistance under section 8 for property disposition, not more than $93,032,000;

[(v) for assistance under section 8 for loan management, not more than $202,000,000;

[(vi) for extensions of contracts expiring under section 8, not more than $6,746,135,000, which shall be for 5-year contracts for assistance under section 8 and for loan management assistance under such section;

[(vii) for amendments to contracts under section 8, not more than $1,350,000,000;

[(viii) for public housing lease adjustments and amendments, not more than $83,055,000;

[(ix) for conversions from leased housing contracts under section 23 of this Act (as in effect immediately before the enactment of the Housing and Community Development Act of 1974) to assistance under section 8, not more than $12,767,000; and

[(x) for grants under section 24 for revitalization of severely distressed public housing, not more than $300,000,000.

[(B) Using the additional budget authority provided under paragraph (6) and the balances of budget authority that become available during fiscal year 1994, the Secretary shall, to the extent approved in appropriation Acts, reserve authority to enter into obligations aggregating—

[(i) for public housing grants under subsection (a)(2), not more than $865,798,634, of which amount not more than $268,127,440 shall be available for Indian housing;

[(ii) for assistance under section 8, not more than $2,060,724,554, of which $20,000,000 shall be available for 15-year contracts for project-based assistance to be used for a multicultural tenant empowerment and homeownership project located in the District of Columbia, except that assistance provided for such project shall not be considered for purposes of the percentage limitations under section 8(i)(2); except that not more than 49 percent of any amounts appropriated under this clause may be used for vouchers under section 8(o);

[(iii) for comprehensive improvement assistance grants under section 14(k), not more than $3,230,200,000;

[(iv) for assistance under section 8 for property disposition, not more than $96,939,344;

[(v) for assistance under section 8 for loan management, not more than $210,484,000;

[(vi) for extensions of contracts expiring under section 8, not more than $7,029,472,670, which shall be for 5-year contracts for assistance under section 8 and for loan management assistance under such section;

[(vii) for amendments to contracts under section 8, not more than $1,406,700,000;

[(viii) for public housing lease adjustments and amendments, not more than $86,543,310;

[(ix) for conversions from leased housing contracts under section 23 of this Act (as in effect immediately before the enactment of the Housing and Community Development Act of 1974) to assistance under section 8, not more than $13,303,214; and

[(x) for grants under section 24 for revitalization of severely distressed public housing, not more than $312,600,000.

[(C)(i) Any amount available for the conversion of a project to assistance under section 8(b)(1), if not required for such purpose, shall be used for assistance under section 8(b)(1).

[(ii) Any amount available for assistance under section 8 for property disposition, if not required for such purpose, shall be used for assistance under section 8(b)(1).

[(8) Any amount available for Indian housing under subsection (a) that is recaptured shall be used only for such housing.

[(d) Any contract for loans or annual contributions, or both, entered into by the Secretary with a public housing agency, may cover one or more than one low-income housing project owned by such public housing agency; in the event the contract covers two or more projects, such projects may, for any of the purposes of this Act and of such contract (including, but not limited to, the determination of the amount of the loan, annual contributions, or payments in lieu of taxes, specified in such contract), be treated collectively as one project.

[(e) In recognition that there should be local determination of the need for low-income housing to meet needs not being adequately met by private enterprise—

[(1) the Secretary shall not make any contract with a public housing agency for preliminary loans (all of which shall be repaid out of any moneys which become available to such agency for the development of the projects involved) for surveys and planning in respect to any low-income housing projects (i) unless the governing body of the locality involved has by resolution approved the application of the public housing agency for such preliminary loan; and (ii) unless the public housing agency has demonstrated to the satisfaction of the Secretary that there is need for such low-income housing which is not being met by private enterprise; and

[(2) the Secretary shall not make any contract for loans (other than preliminary loans) or for contributions pursuant to this Act unless the governing body of the locality involved has entered into an agreement with the public housing agency providing for the local cooperation required by the Secretary pursuant to this Act.

[(f) Subject to the specific limitations or standards in this Act governing the terms of sales, rentals, leases, loans, contracts for annual contributions, or other agreements, the Secretary may, whenever he deems it necessary or desirable in the fulfillment of the purposes of this Act, consent to the modification, with respect to rate of interest, time of payment of any installment of principal or interest, security, amount of annual contribution, or any other term, of any contract or agreement of any kind to which the Secretary is a party. When the Secretary finds that it would promote economy or be in the financial interest of the Federal Government or is necessary to assure or maintain the lower income character of the project or projects involved, any contract heretofore or hereafter made for annual contributions, loans, or both, may be amended or superseded by a contract entered into by mutual agreement between the public housing agency and the Secretary. Contracts may not be amended or superseded in a manner which would impair the rights of the holders of any outstanding obligations of the public housing agency involved for which annual contributions have been pledged. Any rule of law contrary to this provision shall be deemed inapplicable.

[(g) In addition to the authority of the Secretary under subsection (a) to pledge annual contributions as security for obligations issued by a public housing agency, the Secretary is authorized to pledge annual contributions as a guarantee of payment by a public housing agency of all principal and interest on obligations issued by it to assist the development or acquisition of the project to which the annual contributions relate, except that no obligation shall be guaranteed under this subsection if the income thereon is exempt from Federal taxation.

[(h) Notwithstanding any other provision of law, a public housing agency may sell a low-income housing project to its lower income tenants, on such terms and conditions as the agency may determine, without affecting the Secretary's commitment to pay annual contributions with respect to that project, but such contributions shall not exceed the maximum contributions authorized under subsection (a) of this section.

[(i) In entering into contracts for assistance with respect to newly constructed or substantially rehabilitated projects under this section (other than for projects assisted pursuant to section 8), the Secretary shall require the installation of a passive or active solar energy system in any such project where the Secretary determines that such installation would be cost effective over the estimated life of the system.

[(j)(1) After September 30, 1987, in providing assistance under this Act to a public housing agency for public housing (other than for Indian families), the Secretary shall reserve funds for the development of public housing only if—

[(A) the Secretary determines that additional amounts are required to complete the development of dwelling units for which amounts are obligated on or before such date;

[(B) the public housing agency certifies to the Secretary that 85 percent of the public housing dwelling units of the public housing agency—

[(i) are maintained in substantial compliance with the housing quality standards established by the Secretary under section 8(o)(6);

[(ii) will be so maintained upon completion of modernization for which funding has been awarded; or

[(iii) will be so maintained upon completion of modernization for which applications are pending that have been submitted in good faith under section 14 (or a comparable State or local government program) and that there is a reasonable expectation, as determined by the Secretary in writing, that the applications would be approved;

[(C) the public housing agency certifies that such development—

[(i) will replace dwelling units that are disposed of or demolished by the public housing agency, including dwelling units disposed of or lost through sale to tenants or through units redesign; or

[(ii) is required to comply with court orders or directions of the Secretary;

[(D) the public housing agency certifies that it has demands for family housing not satisfied by the rental assistance programs established in subsection (b) or (o) of section 8 for which it plans to construct or acquire projects of not more than 100 units; or

[(F) the Secretary makes such reservation under paragraph (2).

[(E) in the case of an application for development of projects (or portions of projects) designated under section 7(a)(1) for occupancy for elderly families, only if the agency certifies to the Secretary that the use of such assistance will assist in expanding the housing available for eligible persons with disabilities identified in the allocation plan for the agency submitted under section 7(f); and

[(2)(A) Notwithstanding any other provision of law, the Secretary may reserve not more than 20 percent of any amounts appropriated for development of public housing in each fiscal year for the substantial redesign, reconstruction, or redevelopment of existing obsolete public housing projects or buildings and for the costs of improving the management and operation of projects undergoing redesign, reconstruction, or redevelopment under this paragraph (to the extent that such improvement is necessary to maintain the physical improvements resulting from such redesign, reconstruction, or redevelopment).

[(B) For purposes of this paragraph, the term ''obsolete public housing project or building'' means a public housing project or building (i) having design or marketability problems resulting in vacancy in more than 25 percent of the units, or (ii)(I) for which the costs for redesign, reconstruction, or redevelopment (including any costs for lead-based paint abatement activities) exceed 70 percent of the total development cost limits for new construction of similar units in the area, and (II) which has an occupancy density or a building height that is significantly in excess of that which prevails in the neighborhood in which the project is located, a bedroom configuration that could be altered to better serve the needs

of families seeking occupancy to dwellings of the public housing agency, significant security problems in and around the project, or significant physical deterioration or inefficient energy and utility systems.

[(C) The Secretary shall allocate amounts reserved under this section to public housing agencies on the basis of a competition among public housing agencies applying for such amounts. The competition shall be based on—

[(i) the management capability of the public housing agency to carry out the redesign, reconstruction, or redevelopment;

[(ii) the expected term of the useful life of the project or building after redesign, reconstruction or redevelopment; and

[(iii) the likelihood of achieving full occupancy within the projects or buildings of the agency that are to be assisted under this paragraph.

[(D) The Secretary shall establish limitations on the total costs of any project or building receiving amounts under this paragraph for redesign, reconstruction, and redevelopment. The cost limitations shall not be related to the total development cost system for new development or to the cost limits for modernization and shall recognize the higher direct costs of such work.

[(E) Assistance may not be provided under this paragraph for any project or building assisted under section 14.

[(F)(i) For each fiscal year for which amounts are reserved or appropriated for the purposes of this paragraph, the Secretary shall establish performance goals to evaluate the effectiveness of the use of such amounts. The goals shall—

[(I) be designed to maximize the effectiveness of the expenditures in a quantifiable manner; and

[(II) describe the number of units to be redesigned, redeveloped, and reconstructed with such amounts and improvements in the management of projects so assisted to be accomplished with such amounts.

[(ii) Not later than 60 days after the end of each such fiscal year, the Secretary shall submit a report to the Congress, which shall describe the performance goals established for the fiscal year, the activities carried out with such amounts, and a statement of whether the performance goals were met. If the performance goals were not met, the report shall contain—

[(I) an explanation of why the goals were not met and a description of any managerial deficiencies or legal problems that contributed to not meeting such goals;

[(II) plans and a schedule for achieving the level of performance under such performance goals;

[(III) recommendations for legislative or regulatory changes necessary to achieve the performance goals or improve performance; and

[(IV) a statement of whether the performance goals established for the fiscal year were impractical or infeasible, and, if so, the factors that contributed and resulted in establishing such impractical or infeasible goals and recommendations of actions to meet such goals, which may include changing the goals or altering or eliminating the program under this paragraph for major reconstruction of projects.

[(G)(i) In fiscal years 1993 and 1994, the Secretary shall commit for use under clause (ii) not less than 5 percent of any amounts reserved under subparagraph (A) for each such fiscal year.

[(ii) The amounts referred to in clause (i) shall be available to public housing agencies only for use for projects (or portions of projects) designated for occupancy under section 7(a)(1) and (e) by disabled families.

[(iii) In allocating amounts reserved under this subparagraph among public housing agencies, the Secretary shall consider the need for any such amounts as identified in the allocation plans submitted by agencies under section 7(f).

[(3)(A) In fiscal years 1993 and 1994, the Secretary shall reserve for use under subparagraph (B) not less than 5 percent of any amounts approved in appropriation Acts for each such fiscal year for public housing grants under subsection (a)(2) that are not designated under such Acts for use under paragraph (2) of this subsection for the substantial redesign, reconstruction, or redevelopment of existing public housing projects, buildings, or units.

[(B) Any amount reserved under subparagraph (A) shall be available only to public housing agencies that have designated projects (or portions of projects) for occupancy under section 7(a)(1) for use only for the costs of development or acquisition of public housing projects or buildings designated for occupancy under section 7(a)(1) and (e) by disabled families. A building so assisted may not contain more than 25 dwelling units, except that the Secretary may (in the discretion of the Secretary) waive such limitation for a building.

[(C) The Secretary shall carry out a competition for budget authority reserved under subparagraph (A) among eligible public housing agencies and shall allocate such budget authority to public housing agencies pursuant to the competition, based on (i) the need of the agency for such assistance (taking into consideration the allocation plans submitted under section 7(f) by agencies), and (ii) the extent to which the public housing projects and buildings to be developed or assisted meet the requirements of section 7(e).

[(k) After the reservation of public housing development funds to a public housing agency, the Secretary may not recapture any of the amounts included in such reservation due to the failure of a public housing agency to begin construction or rehabilitation, or to complete acquisition, during the 30-month period following the date of such reservation. During such 30-month period, the public housing agency shall be permitted to change the site of the public housing project or reformulate the project, if not less than the original number of dwelling units are to be constructed, rehabilitated, or acquired. There shall be excluded from the computation of such 30-month period any delay in the beginning of construction or rehabilitation of such project caused by (1) the failure of the Secretary to process such project within a reasonable period of time; (2) any environmental review requirement; (3) any legal action affecting such project; or (4) any other factor beyond the control of the public housing agency.

[(l) The Secretary may not use as a criterion for distributing assistance under this section the progress made by an Indian public housing agency in collecting rents owed by tenants unless—

[(1) such criterion is used as 1 of several criteria that are weighted proportionally and is established by regulations issued after public notice and opportunity to comment in accordance with section 553 of title 5, United States Code; or

[(2) the Secretary determines that the Indian public housing agency has demonstrated a pattern of substantial noncompliance with requirements governing the collection of rents.

[CONTRACT PROVISIONS AND REQUIREMENTS

[SEC. 6. (a) The Secretary may include in any contract for loans, contributions, sale, lease, mortgage, or any other agreement or instrument made pursuant to this Act, such covenants, conditions, or provisions as he may deem necessary in order to insure the lower income character of the project involved. Any such contract may contain a condition requiring the maintenance of an open space or playground in connection with the housing project involved if deemed necessary by the Secretary for the safety or health of children. Any such contract shall require that, except in the case of housing predominantly for elderly or disabled families, high-rise elevator projects shall not be provided for families with children unless the Secretary makes a determination that there is no practical alternative.

[(b)(1) Each contract for loans (other than preliminary loans) or contributions for the development, acquisition, or operation of public housing and public housing for Indians and Alaska Natives in accordance with the Indian Housing Act of 1988 shall provide that the total development cost of the project on which the computation of any annual contributions under this Act may be based may not exceed the amount determined under paragraph (2) (for the appropriate structure type) unless the Secretary provides otherwise, and in any case may not exceed 110 per centum of such amount unless the Secretary for good cause determines otherwise.

[(2) For purposes of paragraph (1), the Secretary shall determine the total development cost by multiplying the construction cost guideline for the project (which shall be determined by averaging the current construction costs, as listed by not less than 2 nationally recognized residential construction cost indices, for publicly bid construction of a good and sound quality) by—

[(A) in the case of elevator type structures, 1.6; and

[(B) in the case of nonelevator type structures, 1.75.

[(c) Every contract for contributions shall provide that—

[(1) the Secretary may require the public housing agency to review and revise its maximum income limits if the Secretary determines that changed conditions in the locality make such revision necessary in achieving the purposes of this Act;

[(2) the public housing agency shall determine, and so certify to the Secretary, that each family in the project was admitted in accordance with duly adopted regulations and approved income limits; and the public housing agency shall review the incomes of families living in the project no less frequently than annually;

[(3) the public housing agency shall promptly notify (i) any applicant determined to be ineligible for admission to the project of the basis for such determination and provide the ap-

plicant upon request, within a reasonable time after the determination is made, with an opportunity for an informal hearing on such determination, and (ii) any applicant determined to be eligible for admission to the project of the approximate date of occupancy insofar as such date can be reasonably determined;

[(4) the public housing agency shall comply with such procedures and requirements as the Secretary may prescribe to assure that sound management practices will be followed in the operation of the project, including requirements pertaining to—

[(A) except for projects or portions of projects designated for occupancy pursuant to section 7(a) with respect to which the Secretary has determined that application of this subparagraph would result in excessive delays in meeting the housing need of such families, the establishment of tenant selection criteria which—

[(i) for not less than 50 percent of the units that are made available for occupancy in a given fiscal year, give preference to families that occupy substandard housing (including families that are homeless or living in a shelter for homeless families), are paying more than 50 percent of family income for rent, or are involuntarily displaced (including displacement because of disposition of a multifamily housing project under section 203 of the Housing and Community Development Amendments of 1978) at the same time they are seeking assistance under this Act;

[(ii) for any remaining units to be made available for occupancy, give preference in accordance with a system of preferences established by the public housing agency in writing and after public hearing to respond to local housing needs and priorities, which may include (I) assisting very low-income families who either reside in transitional housing assisted under title IV of the Stewart B. McKinney Homeless Assistance Act, or participate in a program designed to provide public assistance recipients with greater access to employment and educational opportunities; (II) assisting families in accordance with subsection (u)(2); (III) assisting families identified by local public agencies involved in providing for the welfare of children as having a lack of adequate housing that is a primary factor in the imminent placement of a child in foster care, or in preventing the discharge of a child from foster care and reunification with his or her family; (IV) assisting youth, upon discharge from foster care, in cases in which return to the family or extended family or adoption is not available; (V) assisting families that include one or more adult members who are employed; and (VI) achieving other objectives of national housing policy as affirmed by Congress; subclause (V) shall be effective only during fiscal year 1995;

[(iii) prohibit any individual or family evicted from housing assisted under the Act by reason of drug-related criminal activity from having a preference under

any provision of this subparagraph for 3 years unless the evicted tenant successfully completes a rehabilitation program approved by the agency, except that the agency may waive the application of this clause under standards established by the Secretary (which shall include waiver for any member of a family of an individual prohibited from tenancy under this clause who the agency determines clearly did not participate in and had no knowledge of such criminal activity or when circumstances leading to eviction no longer exist); and

[(iv) are designed to ensure that, to the maximum extent feasible, the projects of an agency will include families with a broad range of incomes and will avoid concentrations of low-income and deprived families with serious social problems.

[(B) the establishment of satisfactory procedures designed to assure the prompt payment and collection of rents and the prompt processing of evictions in the case of nonpayment of rent;

[(C) the establishment of effective tenant-management relationships designated to assure the satisfactory standards of tenant security and project maintenance are formulated and that the public housing agency (together with tenant councils where they exist) enforces those standards fully and effectively;

[(D) the development by local housing authority managements of viable homeownership opportunity programs for low-income families capable of assuming the responsibilities of homeownership;

[(E) except in the case of agencies not receiving operating assistance under section 9, the establishment and maintenance of a system of accounting for rental collections and costs (including administrative, utility, maintenance, repair and other operating costs) for each project or operating cost center (as determined by the Secretary), which collections and costs shall be made available to the general public and submitted to the appropriate local public official (as determined by the Secretary); except that the Secretary may permit agencies owning or operating less than 500 units to comply with the requirements of this subparagraph by accounting on an agency-wide basis; and

[(F) requiring the public housing agency to ensure and maintain compliance with subtitle C of title VI of the Housing and Community Development Act of 1992 and any regulations issued under such subtitle.

[(d) Every contract for contributions with respect to a low-income housing project shall provide that no contributions by the Secretary shall be made available for such project unless such project (exclusive of any portion thereof which is not assisted by contributions under this Act) is exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivision; and such contract shall require the public housing agency

to make payments in lieu of taxes equal to 10 per centum of the sum of the shelter rents charged in such project, or such lesser amount as (i) is prescribed by State law, or (ii) is agreed to by the local governing body in its agreement for local cooperation with the public housing agency required under section 5(e)(2) of this Act, or (iii) is due to failure of a local public body or bodies other than the public housing agency to perform any obligation under such agreement. If any such project is not exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivision, such contract shall provide, in lieu of the requirement for tax exemption and payments in lieu of taxes, that no contributions by the Secretary shall be made available for such project unless and until the State, city, county, or other political subdivision in which such project is situated shall contribute, in the form of cash or tax remission, the amount by which the taxes paid with respect to the project exceed 10 per centum of the shelter rents charged in such project.

[(e) Every contract for contributions shall provide that whenever in any year the receipts of a public housing agency in connection with a low-income housing project exceed its expenditures (including debt service, operation, maintenance, establishment of reserves, and other costs and charges), an amount equal to such excess shall be applied, or set aside for application, to purposes which, in the determination of the Secretary, will effect a reduction in the amount of subsequent annual contributions.

[(g) Every contract for contributions (including contracts which amend or supersede contracts previously made) may provide that—

[(1) upon the occurrence of a substantial default in respect to the covenants or conditions to which the public housing agency is subject (as such substantial default shall be defined in such contract), the public housing agency shall be obligated at the option of the Secretary either to convey title in any case where, in the determination of the Secretary (which determination shall be final and conclusive), such conveyance of title is necessary to achieve the purposes of this Act, or to deliver to the Secretary possession of the project, as then constituted, to which such contract relates; and

[(2) the Secretary shall be obligated to reconvey or redeliver possession of the project, as constituted at the time of reconveyance or redelivery, to such public housing agency or to its successor (if such public housing agency or a successor exists) upon such terms as shall be prescribed in such contract, and as soon as practicable (i) after the Secretary is satisfied that all defaults with respect to the project have been cured, and that the project will, in order to fulfill the purposes of this Act, thereafter be operated in accordance with the terms of such contract; or (ii) after the termination of the obligation to make annual contributions available unless there are any obligations or covenants of the public housing agency to the Secretary which are then in default. Any prior conveyances and reconveyances or deliveries and redeliveries of possession shall not exhaust the right to require a conveyance or delivery of possession of the project to the Secretary pursuant to subpara-

graph (1) upon the subsequent occurrence of a substantial default.

Whenever such a contract for annual contributions includes provisions which the Secretary in such contract determines are in accordance with this subsection, and the portion of the annual contribution payable for debt service requirements pursuant to such contract has been pledged by the public housing agency as security for the payment of the principal and interest on any of its obligations, the Secretary (notwithstanding any other provisions of this Act) shall continue to make such annual contributions available for the project so long as any of such obligations remain outstanding, and may covenant in such contract that in any event such annual contributions shall in each year be at least equal to an amount which, together with such income or other funds as are actually available from the project for the purpose at the time such annual contribution is made, will suffice for the payment of all installments, falling due within the next succeeding twelve months, of principal and interest on the obligations for which the annual contributions provided for in the contract shall have been pledged as security. In no case shall such annual contributions be in excess of the maximum sum specified in the contract involved, nor for longer than the remainder of the maximum period fixed by the contract.

[(h) On or after October 1, 1983, the Secretary may enter into a contract involving new construction only if the public housing agency demonstrates to the satisfaction of the Secretary that the cost of new construction in the neighborhood where the public housing agency determines the housing is needed is less than the cost of acquisition or acquisition and rehabilitation in such neighborhood, including any reserve fund under subsection (i), would be.

[(i) The Secretary may, upon application by a public housing agency in connection with the acquisition of housing for use as public housing, establish and set aside a reserve fund in an amount not to exceed 30 per centum of the acquisition cost which shall be available for use for major repairs to such housing.

[(j)(1) The Secretary shall develop and publish in the Federal Register indicators to assess the management performance of public housing agencies and resident management corporations. The indicators shall be established by rule under section 553 of title 5, United States Code. Such indicators shall enable the Secretary to evaluate the performance of public housing agencies and resident management corporations in all major areas of management operations. The Secretary shall, in particular, use the following indicators:

[(A) The number and percentage of vacancies within an agency's inventory, including the progress that an agency has made within the previous 3 years to reduce such vacancies.

[(B) The amount and percentage of funds obligated to the public housing agency under section 14 of this Act which remain unexpended after 3 years.

[(C) The percentage of rents uncollected.

[(D) The energy consumption (with appropriate adjustments to reflect different regions and unit sizes).

[(E) The average period of time that an agency requires to repair and turn-around vacant units.

[(F) The proportion of maintenance work orders outstanding, including any progress that an agency has made during the preceding 3 years to reduce the period of time required to complete maintenance work orders.

[(G) The percentage of units that an agency fails to inspect to ascertain maintenance or modernization needs within such period of time as the Secretary deems appropriate (with appropriate adjustments, if any, for large and small agencies).

[(H) Any other factors as the Secretary deems appropriate.

[(2)(A)(i) The Secretary shall, under the rulemaking procedures under section 553 of title 5, United States Code, establish procedures for designating troubled public housing agencies, which procedures shall include identification of serious and substantial failure to perform as measured by the performance indicators specified under paragraph (1) and such other factors as the Secretary may deem to be appropriate. The Secretary shall also designate, by rule under section 553 of title 5, United States Code, agencies that are troubled with respect to the program under section 14.

[(ii) The Secretary may also, in consultation with national organizations representing public housing agencies and public officials (as the Secretary determines appropriate), identify and commend public housing agencies that meet the performance standards established under paragraph (1) in an exemplary manner.

[(iii) The Secretary shall establish procedures for public housing agencies to appeal designation as a troubled agency (including designation as a troubled agency for purposes of the program under section 14), to petition for removal of such designation, and to appeal any refusal to remove such designation.

[(B)(i) Upon designating a public housing agency as troubled pursuant to subparagraph (A) and determining that an assessment under this subparagraph will not duplicate any review conducted under section 14(p), the Secretary shall provide for an on-site, independent assessment of the management of the agency.

[(ii) To the extent the Secretary deems appropriate (taking into account an agency's performance under the indicators specified under paragraph (1)), the assessment team shall also consider issues relating to the agency's resident population and physical inventory, including the extent to which (I) the agency's comprehensive plan prepared pursuant to section 14 adequately and appropriately addresses the rehabilitation needs of the agency's inventory, (II) residents of the agency are involved in and informed of significant management decisions, and (III) any projects in the agency's inventory are severely distressed and eligible for assistance pursuant to section 24.

[(iii) An independent assessment under this subparagraph shall be carried out by a team of knowledgeable individuals selected by the Secretary (referred to in this section as the ''assessment team'') with expertise in public housing and real estate management. In conducting an assessment, the assessment team shall consult with the residents and with public and private entities in the jurisdiction in which the public housing is located. The assessment team shall provide to the Secretary and the public housing agency a written report, which shall contain, at a minimum, recommenda-

tions for such management improvements as are necessary to eliminate or substantially remedy existing deficiencies.

[(C) The Secretary shall seek to enter into an agreement with each troubled public housing agency, after reviewing the report submitted pursuant to subparagraph (B) and consulting with the agency's assessment team.

To the extent the Secretary deems appropriate (taking into account an agency's performance under the indicators specified under paragraph (1)), such agreement shall also set forth a plan for enhancing resident involvement in the management of the public housing agency. Such agreement shall set forth—

[(i) targets for improving performance as measured by the performance indicators specified under paragraph (1) and other requirements within a specified period of time;

[(ii) strategies for meeting such targets, including a description of the technical assistance that the Secretary will make available to the agency; and

[(iii) incentives or sanctions for effective implementation of such strategies, which may include any constraints on the use of funds that the Secretary determines are appropriate.

The Secretary and the public housing agency shall, to the maximum extent practicable, seek the assistance of local public and private entities in carrying out the agreement.

[(D) The Secretary shall apply the provisions of this paragraph to resident management corporations as well as public housing agencies.

[(3)(A) Notwithstanding any other provision of law or of any contract for contributions, upon the occurrence of events or conditions that constitute a substantial default by a public housing agency with respect to the covenants or conditions to which the public housing agency is subject or an agreement entered into under paragraph (2), the Secretary may—

[(i) solicit competitive proposals from other public housing agencies and private housing management agents (which may be selected by existing tenants through administrative procedures established by the Secretary) in the eventuality that these agents may be needed for managing all, or part, of the housing administered by a public housing agency;

[(ii) petition for the appointment of a receiver (which may be another public housing agency or a private management corporation) of the public housing agency to any district court of the United States or to any court of the State in which the real property of the public housing agency is situated, that is authorized to appoint a receiver for the purposes and having the powers prescribed in this subsection;

[(iii) solicit competitive proposals from other public housing agencies and private entities with experience in construction management in the eventuality that such agencies or firms may be needed to oversee implementation of assistance made available under section 14 for the housing; and

[(iv) require the agency to make other arrangements acceptable to the Secretary and in the best interests of the public housing residents for managing all, or part of, such housing.

Residents of a public housing agency designated as troubled pursuant to paragraph (2)(A) may petition the Secretary in writing to take 1 or more of the actions referred to in this subparagraph. The Secretary shall respond to such petitions in a timely manner with a written description of the actions, if any, the Secretary plans to take and, where applicable, the reasons why such actions differ from the course proposed by the residents.

[(B) The Secretary may make available to receivers and other entities selected or appointed pursuant to this paragraph such assistance as is necessary to remedy the substantial deterioration of living conditions in individual public housing developments or other related emergencies that endanger the health, safety and welfare of the residents.

[(C) In any proceeding under subparagraph (A)(ii), upon a determination that a substantial default has occurred, and without regard to the availability of alternative remedies, the court shall appoint a receiver to conduct the affairs of the public housing agency in a manner consistent with this Act and in accordance with such further terms and conditions as the court may provide. The court shall have power to grant appropriate temporary or preliminary relief pending final disposition of the petition by the Secretary.

[(D) The appointment of a receiver pursuant to this subsection may be terminated, upon the petition of any party, when the court determines that all defaults have been cured and the housing operated by the public housing agency will thereafter be operated in accordance with the covenants and conditions to which the public housing agency is subject.

[(4) The Secretary shall submit to the Congress annually, as a part of the report of the Secretary under section 8 of the Department of Housing and Urban Development Act, a report that—

[(A) identifies the public housing agencies that have been designated as troubled under paragraph (2);

[(B) describes the grounds on which such public housing agencies were designated as troubled and continue to be so designated;

[(C) describes the agreements that have been entered into with such agencies under such paragraph;

[(D) describes the status of progress under such agreements;

[(E) describes any action that has been taken in accordance with paragraph (3); and

[(F) describes the status of any public housing agency designated as troubled with respect to the program under section 14 and specifies the amount of assistance the agency received under section 14 and any credits accumulated by the agency under section 14(k)(5)(D).

[(k) The Secretary shall by regulation require each public housing agency receiving assistance under this Act to establish and implement an administrative grievance procedure under which tenants will—

[(1) be advised of the specific grounds of any proposed adverse public housing agency action;

[(2) have an opportunity for a hearing before an impartial party upon timely request within any period applicable under subsection (l);

[(3) have an opportunity to examine any documents or records or regulations related to the proposed action;

[(4) be entitled to be represented by another person of their choice at any hearing;

[(5) be entitled to ask questions of witnesses and have others make statements on their behalf; and

[(6) be entitled to receive a written decision by the public housing agency on the proposed action.

For any grievance concerning an eviction or termination of tenancy that involves any criminal activity that threatens the health, safety, or right to peaceful enjoyment of the premises of other tenants or employees of the public housing agency or any drug-related criminal activity on or near such premises, the agency may (A) establish an expedited grievance procedure as the Secretary shall provide by rule under section 553 of title 5, United States Code, or (B) exclude from its grievance procedure any such grievance, in any jurisdiction which requires that prior to eviction, a tenant be given a hearing in court which the Secretary determines provides the basic elements of due process (which the Secretary shall establish by rule under section 553 of title 5, United States Code). Such elements of due process shall not include a requirement that the tenant be provided an opportunity to examine relevant documents within the possession of the public housing agency. The agency shall provide to the tenant a reasonable opportunity, prior to hearing or trial, to examine any relevant documents, records, or regulations directly related to the eviction or termination.

[(l) Each public housing agency shall utilize leases which—

[(1) do not contain unreasonable terms and conditions;

[(2) obligate the public housing agency to maintain the project in a decent, safe, and sanitary condition;

[(3) require the public housing agency to give adequate written notice of termination of the lease which shall not be less than—

[(A) a reasonable time, but not to exceed 30 days, when the health or safety of other tenants or public housing agency employees is threatened;

[(B) 14 days in the case of nonpayment of rent; and

[(C) 30 days in any other case;

[(4) require that the public housing agency may not terminate the tenancy except for serious or repeated violation of the terms or conditions of the lease or for other good cause;

[(5) provide that any criminal activity that threatens the health, safety, or right to peaceful enjoyment of the premises by other tenants or any drug-related criminal activity on or near such premises, engaged in by a public housing tenant, any member of the tenant's household, or any guest or other person under the tenant's control, shall be cause for termination of tenancy; and

[(6) specify that with respect to any notice of eviction or termination, notwithstanding any State law, a public housing tenant shall be informed of the opportunity, prior to any hearing or trial, to examine any relevant documents, records or regulations directly related to the eviction or termination.

For purposes of paragraph (5), the term ''drug-related criminal activity'' means the illegal manufacture, sale, distribution, use, or possession with intent to manufacture, sell, distribute, or use, of a controlled substance (as defined in section 102 of the Controlled Substances Act (21 U.S.C. 802)).

[(m) The Secretary shall not impose any unnecessarily duplicative or burdensome reporting requirements on tenants or public housing agencies assisted under this Act.

[(n) When a public housing agency evicts an individual or family from a dwelling unit for engaging in criminal activity, including drug-related criminal activity, the public housing agency shall notify the local post office serving that dwelling unit that such individual or family is no longer residing in the dwelling unit.

[(o) Subject to the preference rules specified in subsection (c)(4)(A), in providing housing in low-income housing projects, each public housing agency may coordinate with any local public agencies involved in providing for the welfare of children to make available dwelling units to—

[(1) families identified by the agencies as having a lack of adequate housing that is a primary factor—

[(A) in the imminent placement of a child in foster care; or

[(B) in preventing the discharge of a child from foster care and reunification with his or her family; and

[(2) youth, upon discharge from foster care, in cases in which return to the family or extended family or adoption is not available.

[(p) With respect to amounts available for obligation on or after October 1, 1991, the criteria established under section 213(d)(5)(B) of the Housing and Community Development Act of 1974 for any competition for assistance for new construction, acquisition, or acquisition and rehabilitation of public housing shall give preference to applications for housing to be located in a local market area that has an inadequate supply of housing available for use by very low-income families. The Secretary shall establish criteria for determining that the housing supply of a local market area is inadequate, which shall require—

[(1)(A) information regarding housing market conditions showing that the supply of rental housing affordable by very low-income families is inadequate, taking into account vacancy rates in such housing and other market indicators; and

[(B) evidence that significant numbers of families in the local market area holding certificates and vouchers under section 8 are experiencing significant difficulty in leasing housing meeting program and family-size requirements; or

[(2) evidence that the proposed development would provide increased housing opportunities for minorities or address special housing needs.

[DESIGNATED HOUSING

[SEC. 7. (a) AUTHORITY TO PROVIDE DESIGNATED HOUSING.—

[(1) IN GENERAL.—Notwithstanding any other provision of law, a public housing agency whose allocation plan under subsection (f) (and any biannual update) has been approved by the

Secretary may, to the extent provided in the allocation plan, provide public housing projects (or portions of projects) designated for occupancy by (A) only elderly families, (B) only disabled families (subject to the provisions of subsection (e)), or (C) elderly and disabled families.

[(2) PRIORITY FOR OCCUPANCY.—In determining priority for admission to public housing projects (or portions of projects) that are designated for occupancy as provided in paragraph (1), the public housing agency may make units in such projects (or portions) available only to the types of families for whom the project is designated. Among such types of families, preference for occupancy in such projects (or portions) shall be given according to the preferences for occupancy under section 6(c)(4)(A).

[(3) ELIGIBILITY OF NEAR-ELDERLY FAMILIES.—If a public housing agency determines (in accordance with regulations established by the Secretary) that there are insufficient numbers of elderly families to fill all the units in a project (or portion of a project) designated under paragraph (1) for occupancy by only elderly families, the agency may (pursuant to the approved allocation plan under subsection (f) for the agency) provide that near-elderly families who qualify for preferences for occupancy under section 6(c)(4)(A) may occupy dwelling units in the project (or portion).

[(4) VACANCY.—Notwithstanding the authority under paragraphs (1) and (2) to designate public housing projects (or portions of projects) for occupancy by only certain types of families, a public housing agency shall make any dwelling unit that is ready for occupancy in such a project (or portion of a project) that has been vacant for more than 60 consecutive days generally available for occupancy (subject to the requirements of this title) without regard to such designation.

[(b) AVAILABILITY OF HOUSING.—

[(1) TENANT CHOICE.—The decision of any disabled family not to occupy or accept occupancy in an appropriate type of project or assistance made available to the family under this title shall not adversely affect the family with respect to a public housing agency making available occupancy in other appropriate projects in public housing or assistance under this title.

[(2) DISCRIMINATORY SELECTION.—Paragraph (1) shall not apply to any family who decides not to occupy or accept an appropriate dwelling unit in public housing or to accept assistance under this Act on the basis of the race, color, religion, sex, disability, familial status, or national origin of occupants of housing or the surrounding area.

[(3) APPROPRIATENESS OF DWELLING UNITS.—This section may not be construed to require a public housing agency to offer occupancy in any dwelling unit assisted under this Act to any family who is not of appropriate family size for the dwelling unit.

[(c) PROHIBITION OF EVICTIONS.—Any tenant who is lawfully residing in a dwelling unit in the project may not be evicted or otherwise required to vacate such unit because of the designation of the project (or portion of a project) or because of any action taken by

the Secretary of Housing and Urban Development or any public housing agency pursuant to this section.

[(d) ACCOMMODATION OF HOUSING AND SERVICE NEEDS.—In designing, developing, otherwise acquiring and operating, designating, and providing housing and assistance under this title, each public housing agency shall meet, to the extent practicable, the housing and service needs of eligible families applying for assistance under this title, as provided in any allocation plan of the agency approved under subsection (f). To meet such needs, public housing agencies may, wherever practicable and in accordance with any allocation plan of the agency—

[(1) provide housing in which supportive services are provided, facilitated, or coordinated, mixed housing, shared housing, family housing, group homes, congregate housing, and other housing as the public housing agency considers appropriate;

[(2) carry out major reconstruction of obsolete public housing projects and reconfiguration of public housing dwelling units; and

[(3) provide tenant-based assistance under section 811(b)(1).

[(e) APPLICATION FOR DESIGNATED HOUSING FOR DISABLED FAMILIES.—

[(1) REQUIREMENT.—A project (or portion of a project) may be designated under subsection (a)(1) for occupancy by only disabled families only if the public housing agency administering the project complies with the other requirements of this section and the Secretary approves an application under this subsection for such designation. The Secretary shall establish the form and procedures for submission and approval of applications under this subsection.

[(2) CONTENTS.—An application under this subsection shall contain—

[(i) a description of the projects (or portions of projects) to be designated (which may include group homes, independent living facilities, units in multifamily housing developments, condominium housing, cooperative housing, and scattered site housing);

[(ii) a supportive service plan—

[(I) describing the needs of persons with disabilities that the housing is expected to serve;

[(II) providing for delivery of supportive services appropriate to meet the individual needs of persons with disabilities occupying the housing;

[(III) describing the experience of the applicant (or service providers) in providing such services;

[(IV) describing the manner in which such services will be provided to such persons; and

[(V) identifying any State, local, other Federal, or other funds available for providing such services; and

[(iii) any other information or certification that the Secretary considers appropriate.

[(3) APPROVAL.—The Secretary may approve an application under this subsection only if the Secretary determines that—

[(i) the persons with disabilities occupying the housing will receive supportive services based on their individual needs;

[(ii) the applicant (or service providers) have sufficient experience in providing supportive services;

[(iii) residential supervision will be provided in the housing sufficient to facilitate the provision of supportive services; and

[(iv) the supportive services are adequately designed to meet the special needs of the tenants.

[(4) SUPPORTIVE SERVICES.—For purposes of this subsection, the term ''supportive services'' means services designed to meet the special needs of tenants, and may include meal services, health-related services, mental health services, services for nonmedical counseling, meals, transportation, personal care, bathing, toileting, housekeeping, chore assistance, safety, group and socialization activities, assistance with medications (in accordance with any applicable State laws), case management, personal emergency response, and other appropriate services.

[(f) ALLOCATION PLANS.—

[(1) REQUIREMENT.—A public housing agency may not designate a project (or portion of a project) for occupancy under subsection (a)(1) unless the agency submits an allocation plan under this subsection and the plan is approved under paragraph (4) of this subsection.

[(2) CONTENTS.—An allocation plan submitted under this subsection by a public housing agency shall include—

[(A) a description of the projects (or portions of projects) to be designated and the types of tenants occupying such projects (or portions);

[(B) a description of the estimated pool of applicants for such housing, based on the waiting lists for such housing, and any information collected in the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act for the jurisdiction within which the area served by the public housing agency is located;

[(C) a statement identifying the projects or portions of projects (including the buildings or floors) to be designated for occupancy under subsection (a)(1) for only certain types of families, the types of families who will be eligible for occupancy in such projects (or portions), and the reasons for the designation;

[(D) documentation of the number of units in the projects (or portions) identified under subparagraph (C) which became vacant and available for occupancy during the preceding year;

[(E) an estimate of the number of units in the projects (or portions) identified under subparagraph (C) that will become vacant and available for occupancy during the ensuing 2-year period;

[(F) a description of the occupancy policies and procedures, including procedures for maintaining waiting lists

for eligible applicants who are elderly families or disabled families for occupancy in units in projects administered by the agency sufficient to document the number and duration of instances in which housing assistance for eligible applicants will be denied or delayed by the agency because of a lack of appropriately designated units;

[(G) a plan for securing sufficient additional resources that the agency owns, controls, or has received preliminary notification that it will obtain, or for which the agency plans to apply, that will be sufficient to provide assistance to not less than the number of nonelderly disabled families that would have been housed if occupancy in such units were not restricted pursuant to this section; and

[(H) any comments of agencies, organizations, or persons with whom the public housing agency consults under paragraph (3).

[(3) DEVELOPMENT.—In preparing the initial allocation plan, or updates of a plan under paragraph (5), for submission under this subsection, a public housing agency shall consult with the State or unit of general local government in whose jurisdiction the area served by the public housing agency is located, public and private service providers, advocates for the interest of eligible elderly families, disabled families, and families with children, and other interested parties.

[(4) APPROVAL.—

[(A) CRITERIA.—The Secretary shall approve an allocation plan, or an updated plan, submitted under this subsection if the Secretary determines that, based on the plan and comments submitted pursuant to paragraph (2)(H)—

[(i) the information contained in the plan is complete and accurate and the projections are reasonable;

[(ii) implementation of the plan will not result in excessive vacancy rates in projects (or portions of projects) identified in paragraph (2)(C); and

[(iii) the plan under paragraph (2)(G) can reasonably be achieved.

[(B) NOTIFICATION.—

[(i) IN GENERAL.—The Secretary shall notify each public housing agency submitting an allocation plan under this subsection in writing of approval or disapproval of the plan.

[(ii) TIMING.—A plan shall be considered to be approved if the Secretary does not notify the public housing agency of approval or disapproval of the initial or revised plan within (I) 90 days after the submission of any plan that contains comments pursuant to paragraph (2)(H), or (II) 45 days for any other plan.

[(iii) RESUBMISSION.—If the Secretary disapproves the plan, the Secretary shall, for a period of not less than 45 days following the date of disapproval, permit amendments to, or resubmission of, the plan.

[(C) RULE OF CONSTRUCTION.—The approval of an allocation plan or updated plan under this subsection may not be construed to constitute approval of any request for as-

sistance for major reconstruction of obsolete projects, assistance for development or acquisition of public housing, or assistance under section 811(b)(1) of the Cranston-Gonzalez National Affordable Housing Act, that are contained in the plan pursuant to subparagraph (H).

[(5) BIANNUAL UPDATE.—

[(A) IN GENERAL.—Each public housing agency that owns or operates a project (or portion of a project) that is designated for occupancy under subsection (a)(1) shall update the plan of the agency under this subsection not less than once every 2 years, as the Secretary shall provide. The Secretary shall notify each public housing agency submitting an updated plan under this paragraph of approval or disapproval of the updated plan as required under paragraph (4)(B), and the provisions of such paragraph shall apply to updated plans under this paragraph.

[(B) CONTENTS.—The updated plan shall include—

[(i) a review of the data and projections contained in the allocation plan and the most recent update submitted under this subsection;

[(ii) an assessment of the accuracy of the projections contained in such plan and update;

[(iii) a statement of the number of times a vacancy was filled pursuant to subsection (a)(4);

[(iv) a statement of the number of times an application for housing assistance by an eligible applicant was denied or delayed because of a lack of appropriately designated units; and

[(v) a plan for adjusting the allocation, if necessary, in accordance with the needs identified pursuant to this subparagraph.

[(C) STANDARDS FOR APPROVAL.—The Secretary shall establish standards for preparation, submission, and approval of updated plans.

[(g) PROHIBITION OF COERCION.—No elderly or disabled family residing in any public housing project may be required to accept services.

[LOWER INCOME HOUSING ASSISTANCE

[SEC. 8. (a) For the purpose of aiding lower-income families in obtaining a decent place to live and of promoting economically mixed housing, assistance payments may be made with respect to existing housing in accordance with the provisions of this section. A public housing agency may contract to make assistance payments to itself (or any agency or instrumentality thereof) as the owner of dwelling units if such agency is subject to the same program requirements as are applied to other owners. In such cases, the Secretary may establish initial rents within applicable limits.

[(b) RENTAL CERTIFICATES AND OTHER EXISTING HOUSING PROGRAMS.—The Secretary is authorized to enter into annual contributions contracts with public housing agenices pursuant to which such agencies may enter into contracts to make assistance payments to owners of existing dwelling units in accordance with this section. The Secretary shall enter into a separate annual contribu-

tions contract with each public housing agency to obligate the authority approved each year, beginning with the authority approved in appropriations Acts for fiscal year 1988 (other than amendment authority to increase assistance payments being made using authority approved prior to the appropriations Acts for fiscal year 1988), and such annual contributions contract (other than for annual contributions under subsection (o)) shall bind the Secretary to make such authority, and any amendments increasing such authority, available to the public housing agency for a specified period. In areas where no public housing agency has been organized or where the Secretary determines that a public housing agency is unable to implement the provisions of this section, the Secretary is authorized to enter into such contracts and to perform the other functions assigned to a public housing agency by this section.

[(2) The Secretary is authorized to enter into annual contributions contracts with public housing agencies for the purpose of replacing public housing transferred in accordance with title III of this Act. Each contract entered into under this subsection shall be for a term of not more than 60 months.

[(c)(1) An assistance contract entered into pursuant to this section shall establish the maximum monthly rent (including utilities and all maintenance and management charges) which the owner is entitled to receive for each dwelling unit with respect to which such assistance payments are to be made. The maximum monthly rent shall not exceed by more than 10 per centum the fair market rental established by the Secretary periodically but not less than annually for existing or newly constructed rental dwelling units of various sizes and types in the market area suitable for occupancy by persons assisted under this section, except that the maximum monthly rent may exceed the fair market rental (A) by more than 10 but not more than 20 per centum where the Secretary determines that special circumstances warrant such higher maximum rent or that such higher rent is necessary to the implementation of a housing strategy as defined in section 105 of the Cranston-Gonzalez National Affordable Housing Act, or (B) by such higher amount as may be requested by a tenant and approved by the public housing agency in accordance with paragraph (3)(B). In the case of newly constructed and substantially rehabilitated units, the exception in the preceding sentence shall not apply to more than 20 per centum of the total amount of authority to enter into annual contributions contracts for such units which is allocated to an area and obligated with respect to any fiscal year beginning on or after October 1, 1980. Proposed fair market rentals for an area shall be published in the Federal Register with reasonable time for public comment, and shall become effective upon the date of publication in final form in the Federal Register. Each fair market rental in effect under this subsection shall be adjusted to be effective on October 1 of each year to reflect changes, based on the most recent available data trended so the rentals will be current for the year to which they apply, of rents for existing or newly constructed rental dwelling units, as the case may be, of various sizes and types in the market area suitable for occupancy by persons assisted under this section. Notwithstanding any other provision of this section, after the date of enactment of the Housing and Community Devel-

opment Act of 1977, the Secretary shall prohibit high-rise elevator projects for families with children unless there is no practical alternative. The Secretary shall establish separate fair market rentals under this paragraph for Westchester County in the State of New York. The Secretary shall also establish separate fair market rentals under this paragraph for Monroe County in the Commonwealth of Pennsylvania. In establishing fair market rentals for the remaining portion of the market area in which Monroe County is located, the Secretary shall establish the fair market rentals as if such portion included Monroe County. If units assisted under this section are exempt from local rent control while they are so assisted or otherwise, the maximum monthly rent for such units shall be reasonable in comparison with other units in the market area that are exempt from local rent control.

[(2)(A) The assistance contract shall provide for adjustment annually or more frequently in the maximum monthly rents for units covered by the contract to reflect changes in the fair market rentals established in the housing area for similar types and sizes of dwelling units or, if the Secretary determines, on the basis of a reasonable formula. However, where the maximum monthly rent, for a unit in a new construction, substantial rehabilitation, or moderate rehabilitation project, to be adjusted using an annual adjustment factor exceeds the fair market rental for an existing dwelling unit in the market area, the Secretary shall adjust the rent only to the extent that the owner demonstrates that the adjusted rent would not exceed the rent for an unassisted unit of similar quality, type, and age in the same market area, as determined by the Secretary. The immediately foregoing sentence shall be effective only during fiscal year 1995. For any unit occupied by the same family at the time of the last annual rental adjustment, where the assistance contract provides for the adjustment of the maximum monthly rent by applying an annual adjustment factor and where the rent for a unit is otherwise eligible for an adjustment based on the full amount of the factor, 0.01 shall be subtracted from the amount of the factor, except that the factor shall not be reduced to less than 1.0. The immediately foregoing sentence shall be effective only during fiscal year 1995.

[(B) The contract shall further provide for the Secretary to make additional adjustments in the maximum monthly rent for units under contract to the extent he determines such adjustments are necessary to reflect increases in the actual and necessary expenses of owning and maintaining the units which have resulted from substantial general increases in real property taxes, utility rates, or similar costs which are not adequately compensated for by the adjustment in the maximum monthly rent authorized by subparagraph (A). The Secretary shall make additional adjustments in the maximum monthly rent for units under contract (subject to the availability of appropriations for contract amendments) to the extent the Secretary determines such adjustments are necessary to reflect increases in the actual and necessary expenses of owning and maintaining the units that have resulted from the expiration of a real property tax exemption. Where the Secretary determines that a project assisted under this section is located in a community where drug-related criminal activity is generally prevalent and the

project's operating, maintenance, and capital repair expenses have been substantially increased primarily as a result of the prevalence of such drug-related activity, the Secretary may (at the discretion of the Secretary and subject to the availability of appropriations for contract amendments for this purpose), on a project by project basis, provide adjustments to the maximum monthly rents, to a level no greater than 120 percent of the project rents, to cover the costs of maintenance, security, capital repairs, and reserves required for the owner to carry out a strategy acceptable to the Secretary for addressing the problem of drug-related criminal activity. Any rent comparability standard required under this paragraph may be waived by the Secretary to so implement the preceding sentence. The Secretary may (at the discretion of the Secretary and subject to the availability of appropriations for contract amendments), on a project by project basis for projects receiving project-based assistance, provide adjustments to the maximum monthly rents to cover the costs of evaluating and reducing lead-based paint hazards, as defined in section 1004 of the Residential Lead-Based Paint Hazard Reduction Act of 1992.

[(C) Adjustments in the maximum rents under subparagraphs (A) and (B) shall not result in material differences between the rents charged for assisted units and unassisted units of similar quality, type, and age in the same market area, as determined by the Secretary. In implementing the limitation established under the preceding sentence, the Secretary shall establish regulations for conducting comparability studies for projects where the Secretary has reason to believe that the application of the formula adjustments under subparagraph (A) would result in such material differences. The Secretary shall conduct such studies upon the request of any owner of any project, or as the Secretary determines to be appropriate by establishing, to the extent practicable, a modified annual adjustment factor for such market area, as the Secretary shall designate, that is geographically smaller than the applicable housing area used for the establishment of the annual adjustment factor under subparagraph (A). The Secretary shall establish such modified annual adjustment factor on the basis of the results of a study conducted by the Secretary of the rents charged, and any change in such rents over the previous year, for assisted units and unassisted units of similar quality, type, and age in the smaller market area. Where the Secretary determines that such modified annual adjustment factor cannot be established or that such factor when applied to a particular project would result in material differences between the rents charged for assisted units and unassisted units of similar quality, type, and age in the same market area, the Secretary may apply an alternative methodology for conducting comparability studies in order to establish rents that are not materially different from rents charged for comparable unassisted units. If the Secretary or appropriate State agency does not complete and submit to the project owner a comparability study not later than 60 days before the anniversary date of the assistance contract under this section, the automatic annual adjustment factor shall be applied. The Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted

under this section (including projects assisted under this section as in effect prior to November 30, 1983), unless the project has been refinanced in a manner that reduces the periodic payments of the owner. Any maximum monthly rent that has been reduced by the Secretary after April 14, 1987, and prior to the enactment of this sentence shall be restored to the maximum monthly rent in effect on April 15, 1987. For any project which has had its maximum monthly rents reduced after April 14, 1987, the Secretary shall make assistance payments (from amounts reserved for the original contract) to the owner of such project in an amount equal to the difference between the maximum monthly rents in effect on April 15, 1987, and the reduced maximum monthly rents, multiplied by the number of months that the reduced maximum monthly rents were in effect.

[(3)(A) The amount of the monthly assistance payment with respect to any dwelling unit shall be the difference between the maximum monthly rent which the contract provides that the owner is to receive for the unit and the rent the family is required to pay under section 3(a) of this Act. Reviews of family income shall be made no less frequently than annually.

[(B)(i) A family receiving tenant-based rental assistance under subsection (b)(1) may pay a higher percentage of income than that specified under section 3(a) of this Act if—

[(I) the family notifies the local public housing agency of its interest in a unit renting for an amount which exceeds the permissible maximum monthly rent established for the market area under paragraph (1), and

[(II) such agency determines that the rent for the unit and the rental payments of the family are reasonable, after taking into account other family expenses (including child care, unreimbursed medical expenses, and other appropriate family expenses).

[(ii) A public housing agency shall not approve such excess rentals for more than 10 percent of its annual allocation of incremental rental assistance under subsection (b)(1). A public housing agency that approves such excess rentals for more than 5 percent of its annual allocation shall submit a report to the Secretary not later than 30 days following the end of the fiscal year. The report shall be submitted in such form and in accordance with such procedures as the Secretary shall establish and shall describe the public housing agency's reasons for making the exceptions, including any available evidence that the exceptions were made necessary by problems with the fair market rent established for the area. The Secretary shall ensure that each report submitted in accordance with this clause is readily available for public inspection for a period of not less than 3 years, beginning not less than 30 days following the date on which the report is submitted to the Secretary.

[(iii) The Secretary shall, not later than 3 months following the end of each fiscal year, submit a report to Congress that identifies the public housing agencies that have submitted reports for such fiscal year under clause (ii), summarizes and assesses such reports, and includes recommendations for such legislative or administrative actions that the Secretary deems appropriate to correct problems identified in such reports.

[(4) The assistance contract shall provide that assistance payments may be made only with respect to a dwelling unit under lease for occupancy by a family determined to be a lower income family at the time it initially occupied such dwelling unit or by a family that qualifies to receive assistance under subsection (b) pursuant to section 223 or 226 of the Low-Income Housing Preservation and Resident Homeownership Act of 1990, except that such payments may be made with respect to unoccupied units for a period not exceeding sixty days (A) in the event that a family vacates a dwelling unit before the expiration date of the lease for occupancy or (B) where a good faith effort is being made to fill an unoccupied unit, and, subject to the provisions of the following sentence, such payments may be made, in the case of a newly constructed or substantially rehabilitated project, after such sixty-day period in an amount equal to the debt service attributable to such an unoccupied dwelling unit for a period not to exceed one year, if a good faith effort is being made to fill the unit and the unit provides decent, safe, and sanitary housing. No such payment may be made after such sixty-day period if the Secretary determines that the dwelling unit is in a project which provides the owner with revenues exceeding the costs incurred by such owner with respect to such project.

[(5) Assistance payments may be made with respect to up to 100 per centum of the dwelling units in any structure upon the application of the owner or prospective owner. Within the category of projects containing more than fifty units and designed for use primarily for nonelderly and nonhandicapped persons which are not subject to mortgages purchased under section 305 of the National Housing Act, the Secretary may give preference to applications for assistance involving not more than 20 per centum of the dwelling units in a project. In according any such preference, the Secretary shall compare applications received during distinct time periods not exceeding sixty days in duration.

[(6) The Secretary shall take such steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes.

[(7) To the extent authorized in contracts entered into by the Secretary with a public housing agency, such agency may purchase any structure containing one or more dwelling units assisted under this section for the purpose of reselling the structure to the tenant or tenants occupying units aggregating in value at least 80 per centum of the structure's total value. Any such resale may be made on the terms and conditions prescribed under section 5(h) and subject to the limitation contained in such section.

[(8) Each contract under this section shall provide that the owner will notify tenants at least 90 days prior to the expiration of the contract of any rent increase which may occur as a result of the expiration of such contract.

[(9) Not less than 1 year prior to terminating any contract under which assistance payments are received under this section (but not less than 90 days in the case of housing certificates or vouchers under subsection (b) or (o)), an owner shall provide written notice to the Secretary and the tenants involved of the proposed termination, specifying the reasons for the termination with sufficient detail to enable the Secretary to evaluate whether the termination is lawful and whether there are additional actions that can be taken by the Secretary to avoid the termination. The owner's notice shall include a statement that the owner and the Secretary may agree to a renewal of the contract, thus avoiding the termination. The Secretary shall review the owner's notice, shall consider whether there are additional actions that can be taken by the Secretary to avoid the termination, and shall ensure a proper adjustment of the contract rents for the project in conformity with the requirements of paragraph (2). The Secretary shall issue a written finding of the legality of the termination and the reasons for the termination, including the actions considered or taken to avoid the termination. Within 30 days of the Secretary's finding, the owner shall provide written notice to each tenant of the Secretary's decision. For purposes of this paragraph, the term ''termination'' means the expiration of the assistance contract or an owner's refusal to renew the assistance contract, and such term shall include termination of the contract for business reasons.

[(10) If an owner provides notice of proposed termination under paragraph (9) and the contract rent is lower than the maximum monthly rent for units assisted under subsection (b)(1), the Secretary shall adjust the contract rent based on the maximum monthly rent for units assisted under subsection (b)(1) and the value of the low-income housing after rehabilitation.

[(d)(1) Contracts to make assistance payments entered into by a public housing agency with an owner of existing housing units shall provide (with respect to any unit) that—

[(A) the selection of tenants for such units shall be the function of the owner, subject to the provisions of the annual contributions contract between the Secretary and the agency, except that the tenant selection criteria used by the owner shall—

[(i) for not less than (I) 70 percent of the families who initially receive assistance in any 1-year period in the case of assistance attached to a structure and (II) 90 percent of such families in the case of assistance not attached to a structure, give preference to families that occupy substandard housing (including families that are homeless or living in a shelter for homeless families), are paying more than 50 percent of family income for rent, or are involuntarily displaced (including displacement because of disposition of a multifamily housing project under section 203 of the Housing and Community Development Amendments of 1978) at the time they are seeking assistance under this section; except that any family otherwise eligible for assistance under this section may not be denied preference for assistance not attached to a structure (or delayed or other-

wise adversely affected in the provision of such assistance) solely because the family resides in public housing;

[(ii) for any remaining assistance in any 1-year period, give preference to families who qualify under a system of local preferences established by the public housing agency in writing and after public hearing to respond to local housing needs and priorities, which may include (I) assisting very low-income families who either reside in transitional housing assisted under title IV of the Stewart B. McKinney Homeless Assistance Act, or participate in a program designed to provide public assistance recipients with greater access to employment and educational opportunities; (II) assisting families in accordance with subsection (u)(2); (III) assisting families identified by local public agencies involved in providing for the welfare of children as having a lack of adequate housing that is a primary factor in the imminent placement of a child in foster care, or in preventing the discharge of a child from foster care and reunification with his or her family; (IV) assisting youth, upon discharge from foster care, in cases in which return to the family or extended family or adoption is not available; (V) assisting veterans who are eligible and have applied for assistance, will use the assistance for a dwelling unit designed for the handicapped, and, upon discharge or eligibility for discharge from a hospital or nursing home, have physical disability which, because of the configuration of their homes, prevents them from access to or use of their homes; and (VI) achieving other objectives of national housing policy as affirmed by Congress; subclause (V) shall be effective only during fiscal year 1995; and

[(iii) prohibit any individual or family evicted from housing assisted under the Act by reason of drug-related criminal activity from having a preference under any provision of this subparagraph for 3 years unless the evicted tenant successfully completes a rehabilitation program approved by the agency, except that the agency may waive the application of this clause under standards established by the Secretary (which shall include waiver for any member of a family of an individual prohibited from tenancy under this clause who the agency determines clearly did not participate in and had no knowledge of such criminal activity or when circumstances leading to eviction no longer exist);

[(B)(i) the lease between the tenant and the owner shall be for at least one year or the term of such contract, whichever is shorter, and shall contain other terms and conditions specified by the Secretary;

[(ii) the owner shall not terminate the tenancy except for serious or repeated violation of the terms and conditions of the lease, for violation of applicable Federal, State, or local law, or for other good cause;

[(iii) provide that any criminal activity that threatens the health, safety, or right to peaceful enjoyment of the premises by other tenants, any criminal activity that threatens the

health, safety, or right to peaceful enjoyment of their residences by persons residing in the immediate vicinity of the premises, or any drug-related criminal activity on or near such premises, engaged in by a tenant of any unit, any member of the tenant's household, or any guest or other person under the tenant's control, shall be cause for termination of tenancy; and

[(iv) any termination of tenancy shall be preceded by the owner's provision of written notice to the tenant specifying the grounds for such action.

[(C) maintenance and replacement (including redecoration) shall be in accordance with the standard practice for the building concerned as established by the owner and agreed to by the agency; and

[(D) the agency and the owner shall carry out such other appropriate terms and conditions as may be mutually agreed to by them.

[(2)(A) Each contract for an existing structure entered into under this section shall be for a term of not less than one month nor more than one hundred and eighty months. The Secretary shall permit public housing agencies to enter into contracts for assistance payments of less than 12 months duration in order to avoid disruption in assistance to eligible families if the annual contributions contract is within 1 year of its expiration date. Where the Secretary enters into an annual contributions contract with a public housing agency pursuant to which the agency will enter into a contract for assistance payments with respect to an existing structure, the contract for assistance payments may not be attached to the structure unless (i) the Secretary and the public housing agency approve such action, and (ii) the owner agrees to rehabilitate the structure other than with assistance under this Act and otherwise complies with the requirements of this section, except that the Secretary shall permit the public housing agency to approve such attachment with respect to not more than 15 percent of the assistance provided by the public housing agency if the requirements of clause (ii) are met. Notwithstanding any other provision of this section, a public housing agency and an applicable State agency may, on a priority basis, attach to structures not more than an additional 15 percent of the assistance provided by the public housing agency or the applicable State agency only with respect to projects assisted under a State program that permits the owner of the projects to prepay a State assisted or subsidized mortgage on the structure, except that attachment of assistance under this sentence shall be for the purpose of (i) providing incentives to owners to preserve such projects for occupancy by lower and moderate income families (for the period that assistance under this sentence is available), and (ii) to assist lower income tenants to afford any increases in rent that may be required to induce the owner to maintain occupancy in the project by lower and moderate income tenants. Any assistance provided to lower income tenants under the preceding sentence shall not be considered for purposes of the limitation under paragraph (1)(A) regarding the percentage of families that may receive assistance under this section who do not qualify for preferences under such paragraph.

[(B) The Secretary shall permit any public housing agency to approve the attachment of assistance under subsection (b)(1) with respect to any newly constructed structure if—

[(i) the owner or prospective owner agrees to construct the structure other than with assistance under this Act and otherwise complies with the requirements of this section; and

[(ii) the aggregate assistance provided by the public housing agency pursuant to this subparagraph and the last sentence of subparagraph (A) does not exceed 15 percent of the assistance provided by the public housing agency.

[(C) In the case of a contract for assistance payments that is attached to a structure under this paragraph, a public housing agency shall enter into a contract with an owner, contingent upon the future availability of appropriations for the purpose of renewing expiring contracts for assistance payments as provided in appropriations Acts, to extend the term of the underlying contract for assistance payments for such period or periods as the Secretary determines to be appropriate to achieve long-term affordability of the housing. The contract shall obligate the owner to have such extensions of the underlying contract for assistance payments accepted by the owner and the owner's successors in interest. To the extent assistance is used as provided in the penultimate sentence of subparagraph (A), the contract for assistance may, at the option of the public housing agency, have an initial term not exceeding 15 years.

[(D) Where a contract for assistance payments is attached to a structure, the owner shall adopt written tenant selection procedures that are satisfactory to the Secretary as (i) consistent with the purpose of improving housing opportunities for very low-income families; and (ii) reasonably related to program eligibility and an applicant's ability to perform the obligations of the lease. An owner shall promptly notify in writing any rejected applicant of the grounds for any rejection.

[(E) The Secretary shall annually survey public housing agencies to determine which public housing agencies have, in providing assistance in such year, reached the 15 percent limitations contained in subparagraphs (A) and (B), and shall report to the Congress on the results of such survey.

[(F)(i) In determining the amount of assistance provided under an assistance contract for project-based assistance under this paragraph or a contract for assistance for housing constructed or substantially rehabilitated pursuant to assistance provided under section 8(b)(2) of this Act (as such section existed immediately before October 1, 1983), the Secretary may consider and annually adjust, with respect to such project, for the cost of employing or otherwise retaining the services of one or more service coordinators under section 661 of the Housing and Community Development Act of 1992 to coordinate the provision of any services within the project for residents of the project who are elderly or disabled families.

[(ii) The budget authority available under section 5(c) for assistance under this section is authorized to be increased by $15,000,000 on or after October 1, 1992, and by $15,000,000 on or after October 1, 1993. Amounts made available under this subparagraph shall be used to provide additional amounts under annual contributions contracts for assistance under this section which

shall be made available through assistance contracts only for the purpose of providing service coordinators under clause (i) for projects receiving project-based assistance under this paragraph and to provide additional amounts under contracts for assistance for projects constructed or substantially rehabilitated pursuant to assistance provided under section 8(b)(2) of this Act (as such section existed immediately before October 1, 1983) only for such purpose.

[(G) An assistance contract for project-based assistance under this paragraph shall provide that the owner shall ensure and maintain compliance with subtitle C of title VI of the Housing and Community Development Act of 1992 and any regulations issued under such subtitle.

[(H) Notwithstanding subsection (d)(1)(A)(i), an owner of a covered section 8 housing project (as such term is defined in section 659 of the Housing and Community Development Act of 1992) may give preference for occupancy of dwelling units in the project, and reserve units for occupancy, in accordance with subtitle D of title VI of the Housing and Community Development Act of 1992.

[(3) Notwithstanding any other provision of law, with the approval of the Secretary the public housing agency administering a contract under this section with respect to existing housing units may exercise all management and maintenance responsibilities with respect to those units pursuant to a contract between such agency and the owner of such units.

[(4) A public housing agency that serves more than one unit of general local government may, at the discretion of the agency, in allocating assistance under this section, give priority to disabled families that are not elderly families.

[(e)(1) Nothing in this Act shall be deemed to prohibit an owner from pledging, or offering as security for any loan or obligation, a contract for assistance payments entered into pursuant to this section: *Provided*, That such security is in connection with a project constructed or rehabilitated pursuant to authority granted in this section, and the terms of the financing or any refinancing have been approved by the Secretary.

[(f) As used in this section—

[(1) the term ''owner'' means any private person or entity, including a cooperative, an agency of the Federal Government, or a public housing agency, having the legal right to lease or sublease dwelling units;

[(2) the terms ''rent'' or ''rental'' mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative;

[(3) the term ''debt service'' means the required payments for principal and interest made with respect to a mortgage secured by housing assisted under this Act;

[(4) the term ''participating jurisdiction'' means a State or unit of general local government designated by the Secretary to be a participating jurisdiction under title II of the Cranston-Gonzalez National Affordable Housing Act;

[(5) the term ''drug-related criminal activity'' means the illegal manufacture, sale, distribution, use, or possession with intent to manufacture, sell, distribute, or use, of a controlled sub-

stance (as defined in section 102 of the Controlled Substances Act (21 U.S.C. 802));

[(6) the term "project-based assistance" means rental assistance under subsection (b) that is attached to the structure pursuant to subsection (d)(2); and

[(7) the term "tenant-based assistance" means rental assistance under subsection (b) or (o) that is not project-based assistance.

[(g) Notwithstanding any other provision of this Act, assistance payments under this section may be provided, in accordance with regulations prescribed by the Secretary, with respect to some or all of the units in any project approved pursuant to section 202 of the Housing Act of 1959.

[(h) Sections 5(e) and 6 and any other provisions of this Act which are inconsistent with the provisions of this section shall not apply to contracts for assistance entered into under this section.

[(i) The Secretary may not consider the receipt by a public housing agency of assistance under section 811(b)(1) of the Cranston-Gonzalez National Affordable Housing Act, or the amount received, in approving assistance for the agency under this section or determining the amount of such assistance to be provided.

[(j)(1) The Secretary may enter into contracts to make assistance payments under this subsection to assist low-income families by making rental assistance payments on behalf of any such family which utilizes a manufactured home as its principal place of residence. Such payments may be made with respect to the rental of the real property on which there is located a manufactured home which is owned by any such family or with respect to the rental by such family of a manufactured home and the real property on which it is located. In carrying out this subsection, the Secretary may—

[(A) enter into annual contributions contracts with public housing agencies pursuant to which such agencies may enter into contracts to make such assistance payments to the owners of such real property, or

[(B) enter into such contracts directly with the owners of such real property.

[(2)(A) A contract entered into pursuant to this paragraph shall establish the maximum monthly rent (including maintenance and management charges) which the owner is entitled to receive for the space on which a manufactured home is located and with respect to which assistance payments are to be made. The maximum monthly rent shall not exceed by more than 10 per centum the fair market rental established by the Secretary periodically (but not less than annually) with respect to the market area for the rental of real property suitable for occupancy by families assisted under this paragraph.

[(B) The amount of any monthly assistance payment with respect to any family which rents real property which is assisted under this paragraph, and on which is located a manufactured home which is owned by such family shall be the difference between the rent the family is required to pay under section 3(a) of this Act and the sum of—

[(i) the monthly payment made by such family to amortize the cost of purchasing the manufactured home;

[(ii) the monthly utility payments made by such family, subject to reasonable limitations prescribed by the Secretary; and

[(iii) the maximum monthly rent permitted with respect to the real property which is rented by such family for the purpose of locating its manufactured home;

except that in no case may such assistance exceed the total amount of such maximum monthly rent.

[(3)(A) Contracts entered into pursuant to this paragraph shall establish the maximum monthly rent permitted with respect to the manufactured home and the real property on which it is located and with respect to which assistance payments are to be made. The maximum monthly rent shall not exceed by more than 10 per centum the fair market rental established by the Secretary periodically (but not less than annually) with respect to the market area for the rental of a manufactured home and the real property on which it is located suitable for occupancy by families assisted under this paragraph, except that the maximum monthly rent may exceed the fair market rental by more than 10 but not more than 20 per centum where the Secretary determines that special circumstances warrant such higher maximum rent.

[(B) The amount of any monthly assistance payment with respect to any family which rents a manufactured home and the real property on which it is located and which is assisted under this paragraph shall be the difference between the rent the family is required to pay under section 3(a) of this Act and the sum of—

[(i) the monthly utility payments made by such family, subject to reasonable limitations prescribed by the Secretary; and

[(ii) the maximum monthly rent permitted with respect to the manufactured home and real property on which it is located.

[(4) The provisions of subsection (c)(2) of this section shall apply to the adjustments of maximum monthly rents under the subsection.

[(5) Each contract entered into under the subsection shall be for a term of not less than one month and not more than 180 months, except that in any case in which the manufactured home park is substantially rehabilitated or newly constructed, such term may not be less than 240 months, nor more than the maximum term for a manufactured home loan permitted under section 2(b) of the National Housing Act.

[(6) The Secretary may carry out this subsection without regard to whether the manufactured home park is existing, substantially rehabilitated, or newly constructed.

[(7) In the case of any substantially rehabilitated or newly constructed manufactured home park containing spaces with respect to which assistance is made under this subsection, the principal amount of the mortgage attributable to the rental spaces within the park may not exceed an amount established by the Secretary which is equal to or less than the limitation for manufactured home parks described in section 207(c)(3) of the National Housing Act, and the Secretary may increase such limitation in high cost areas in the manner described in such section.

[(8) The Secretary may prescribe other terms and conditions which are necessary for the purpose of carrying out the provisions of this subsection and which are consistent with the purposes of this subsection.

[(k) The Secretary shall establish procedures which are appropriate and necessary to assure that income data provided to public housing agencies and owners by families applying for or receiving assistance under this section is complete and accurate. In establishing such procedures, the Secretary shall randomly, regularly, and periodically select a sample of families to authorize the Secretary to obtain information on these families for the purpose of income verification, or to allow those families to provide such information themselves. Such information may include, but is not limited to, data concerning unemployment compensation and Federal income taxation and data relating to benefits made available under the Social Security Act, the Food Stamp Act of 1977, or title 38, United States Code. Any such information received pursuant to this subsection shall remain confidential and shall be used only for the purpose of verifying incomes in order to determine eligibility of families for benefits (and the amount of such benefits, if any) under this section.

[(n) In making assistance available under subsections (b)(1) and (e)(2), the Secretary may provide assistance with respect to residential properties in which some or all of the dwelling units do not contain bathroom or kitchen facilities, if—

[(1) the property is located in an area in which there is a significant demand for such units, as determined by the Secretary;

[(2) the unit of general local government in which the property is located and the local public housing agency approve of such units being utilized for such purpose; and

[(3) in the case of assistance under subsection (b)(1), the unit of general local government in which the property is located and the local public housing agency certify to the Secretary that the property complies with local health and safety standards.

The Secretary may waive, in appropriate cases, the limitation and preference described in the second and third sentences of section 3(b)(3) with respect to the assistance made available under this subsection.

[(o) RENTAL VOUCHERS.—(1) The Secretary may provide assistance using a payment standard in accordance with this subsection. The payment standard shall be used to determine the monthly assistance which may be paid for any family, as provided in paragraph (2) of this subsection, and shall be based on the fair market rental established under subsection (c).

[(2) The monthly assistance payment for any family shall be the amount by which the payment standard for the area exceeds 30 per centum of the family's monthly adjusted income, except that such monthly assistance payment shall not exceed the amount by which the rent for the dwelling unit (including the amount allowed for utilities in the case of a unit with separate utility metering) exceeds 10 per centum of the family's monthly income.

[(3)(A) Assistance payments may be made only for (i) a family determined to be a very low-income family at the time it initially receives assistance, (ii) a family previously assisted under this Act, (iii) a family that is determined to be a low-income family at the time it initially receives assistance and that is displaced by activities under section 17(c), (iv) a family that qualifies to receive a voucher in connection with a homeownership program approved under title IV of the Cranston-Gonzalez National Affordable Housing Act, or (v) a family that qualifies to receive a voucher under section 223 or 226 of the Low-Income Housing Preservation and Resident Homeownership Act of 1990.

[(B) In selecting families to be assisted, preference shall be given to families which, at the time they are seeking assistance, occupy substandard housing (including families that are homeless or living in a shelter for homeless families), are involuntarily displaced (including displacement because of disposition of a multifamily housing project under section 203 of the Housing and Community Development Amendments of 1978), or are paying more than 50 per centum of family income for rent. A public housing agency may provide for circumstances in which families who do not qualify for any preference established in the preceding sentence are provided assistance under this subsection before families who do qualify for such preference, except that not more than 10 percent (or such higher percentage determined by the Secretary to be necessary to ensure that public housing agencies can assist families in accordance with subsection (u)(2) or determined by the Secretary to be appropriate for other good cause) of the families who initially receive assistance in any 1-year period (or such shorter period selected by the public housing agency before the beginning of its first full year subject to this sentence) may be families who do not qualify for such preference. The public housing agency shall in implementing the preceding sentence establish a system of preferences in writing and after public hearing to respond to local housing needs and priorities which may include (i) assisting very low-income families who either reside in transitional housing assisted under title IV of the Stewart B. McKinney Homeless Assistance Act, or participate in a program designed to provide public assistance recipients with greater access to employment and educational opportunities, (ii) assisting families in accordance with subsection (u)(2); (iii) assisting families identified by local public agencies involved in providing for the welfare of children as having a lack of adequate housing that is a primary factor in the imminent placement of a child in foster care, or in preventing the discharge of a child from foster care and reunification and his or her family; (iv) assisting youth, upon discharge from foster care, in cases in which return to the family or extended family or adoption is not available; (v) assisting veterans who are eligible and have applied for assistance, will use the assistance for a dwelling unit designed for the handicapped, and, upon discharge or eligibility for discharge from a hospital or nursing home, have physical disability which, because of the configuration of their homes, prevents them from access to or use of their homes; and (vi) achieving other objectives of national housing policy as affirmed by Congress. Any individual or family evicted from housing assisted under the Act by reason of drug-re-

lated criminal activity (as defined in subsection (f)(5)) shall not be eligible for a preference under any provision of this subparagraph for 3 years unless the evicted tenant successfully completes a rehabilitation program approved by the Secretary (which shall include waiver for any member of a family of an individual prohibited from tenancy under this clause who the agency determines clearly did not participate in and had no knowledge of such criminal activity or when circumstances leading to eviction no longer exist).

[(4) If a family vacates a dwelling unit before the expiration of a lease term, no assistance payment may be made with respect to the unit after the month during which the unit was vacated.

[(5) A contract with a public housing agency for annual contributions under this subsection shall be for an initial term of sixty months. The Secretary shall require (with respect to any unit) that (A) the public housing agency inspect the unit before any assistance payment may be made to determine that it meets housing quality standards for decent, safe, and sanitary housing established by the Secretary for the purpose of this section, and (B) the public housing agency make annual or more frequent inspections during the contract term. No assistance payment may be made for a dwelling unit which fails to meet such quality standards, unless any such failure is promptly corrected by the owner and the correction verified by the public housing agency.

[(6)(A) The amount of assistance payments under this subsection may, in the discretion of the public housing agency, be adjusted annually where necessary to assure continued affordability. The aggregate amount of adjustments pursuant to the preceding sentence may not exceed the amount of any excess of the annual contributions provided for in the contract over the amount of assistance payments actually paid (including amounts which otherwise become available during the contract period).

[(B) For the purpose of subparagraph (A), each contract with a public housing agency for annual contributions under this subsection shall provide annual contributions equal to 115 per centum of the estimated aggregate amount of assistance required during the first year of the contract.

[(C) Any amounts not needed for adjustments under subparagraph (A) may be used to provide assistance payments for additional families.

[(7) A public housing agency may utilize authority available under this subsection to provide assistance with respect to cooperative or mutual housing which has a resale structure which maintains affordability for low-income families where the agency determines such action will assist in maintaining the affordability of such housing for such families.

[(8) The Secretary may set aside up to 5 percent of the budget authority available under this subsection as an adjustment pool. The Secretary shall use amounts in the adjustment pool for adjustments pursuant to paragraph (6)(A) to ensure continued affordability where the Secretary determines additional assistance for this purpose is necessary, based on documentation submitted by a public housing agency.

[(9) The Secretary is authorized to enter into contracts with public housing agencies to provide rental vouchers for the purpose of

replacing public housing transferred in accordance with title III of this Act. Each contract entered into under this paragraph shall be for a term of not more than 60 months.

[(10)(A) The rent for units assisted under this subsection shall be reasonable in comparison with rents charged for comparable units in the private unassisted market or assisted under section (b). A public housing agency shall, at the request of a family assisted under this subsection, assist such family in negotiating a reasonable rent with an owner. A public housing agency shall review all rents for units under consideration by families assisted under this subsection (and all rent increases for units under lease by families assisted under this subsection) to determine whether the rent (or rent increase) requested by an owner is reasonable. If a public housing agency determines that the rent (or rent increase) for a unit is not reasonable, the agency may disapprove a lease for such unit.

[(11)(A) The Secretary may enter into contracts to make assistance payments under this paragraph to assist low-income families by making rental assistance payments on behalf of any such family which utilizes a manufactured home as its principal place of residence. Such payments may be made with respect to the rental of the real property on which there is located a manufactured home which is owned by any such family. In carrying out this paragraph the Secretary shall enter into annual contributions contracts with public housing agencies pursuant to which such agencies may enter into contracts to make such assistance payments to the owners of such real property.

[(B)(i) A contract entered into pursuant to this subparagraph shall establish the rent (including maintenance and management charges) for the space on which a manufactured home is located and with respect to which assistance payments are to be made. The public housing agency shall establish a payment standard based on the fair market rental established by the Secretary periodically (but not less than annually) with respect to the market area for the rental of real property suitable for occupancy by families assisted under this subparagraph.

[(ii) The amount of any monthly assistance payment with respect to any family which rents real property which is assisted under this subparagraph and on which is located a manufactured home which is owned by such family shall be the amount by which 30 percent of the family's monthly adjusted income is exceeded by the sum of—

[(I) the monthly payment made by such family to amortize the cost of purchasing the manufactured home;

[(II) the monthly utility payments made by such family, subject to reasonable limitations prescribed by the Secretary; and

[(III) the payment standard with respect to the real property which is rented by such family for the purpose of locating its manufactured home;

except that in no case may such assistance exceed the amount by which the rent for the property exceeds 10 percent of the family's monthly income.

[(C) The provisions of paragraph (6)(A) shall apply to the adjustments of maximum monthly rents under this paragraph.

[(D) The Secretary may carry out this paragraph without regard to whether the manufactured home park is existing, substantially rehabilitated, or newly constructed.

[(E) In the case of any substantially rehabilitated or newly constructed manufactured home park containing spaces with respect to which assistance is made under this paragraph, the principal amount of the mortgage attributable to the rental spaces within the park may not exceed an amount established by the Secretary which is equal to or less than the limitation for manufactured home parks described in section 207(c)(3) of the National Housing Act, and the Secretary may increase such limitation in high cost areas in the manner described in such section.

[(F) The Secretary may prescribe other terms and conditions which are necessary for the purpose of carrying out the provisions of this paragraph and which are consistent with the purposes of this paragraph.

[(p) In order to assist elderly families (as defined in section 3(b)(3)) who elect to live in a shared housing arrangement in which they benefit as a result of sharing the facilities of a dwelling with others in a manner that effectively and efficiently meets their housing needs and thereby reduces their costs of housing, the Secretary shall permit assistance provided under the existing housing and moderate rehabilitation programs to be used by such families in such arrangements. In carrying out this subsection, the Secretary shall issue minimum habitability standards for the purpose of assuring decent, safe, and sanitary housing for such families while taking into account the special circumstances of shared housing.

[(q)(1) The Secretary shall establish a fee for the costs incurred in administering the certificate and housing voucher programs under subsections (b) and (o). The amount of the fee for each month for which a dwelling unit is covered by an assistance contract shall be 8.2 percent of the fair market rental established under subsection (c)(1) for a 2-bedroom existing rental dwelling unit in the market area of the public housing agency. The Secretary may increase the fee if necessary to reflect the higher costs of administering small programs and programs operating over large geographic areas.

[(2)(A) The Secretary shall also establish reasonable fees (as determined by the Secretary) for—

[(i) the costs of preliminary expenses (not to exceed $275) that the public housing agency documents it has incurred in connection with new allocations of assistance under the certificate and housing voucher programs under subsections (b) and (o);

[(ii) the costs incurred in assisting families who experience difficulty (as determined by the Secretary) in obtaining appropriate housing under the programs; and

[(iii) extraordinary costs approved by the Secretary.

[(B) The method used to calculate fees under subparagraph (A) shall be the same for the certificate and housing voucher programs under subsections (b) and (o) and shall take into account local cost differences.

[(3)(A) Fees under this subsection may be used for the costs of employing or otherwise retaining the services of one or more serv-

ice coordinators under section 661 of the Housing and Community Development Act of 1992 to coordinate the provision of supportive services for elderly families and disabled families on whose behalf tenant-based assistance is provided under this section or section 811(b)(1). Such service coordinators shall have the same responsibilities with respect to such families as service coordinators of covered federally assisted housing projects have under section 661 of such Act with respect to residents of such projects.

[(B) To the extent amounts are provided in appropriation Acts under subparagraph (C), the Secretary shall increase fees under this subsection to provide for the costs of such service coordinators for public housing agencies.

[(C) The budget authority available under section 5(c) for assistance under this section is authorized to be increased by $5,000,000 on or after October 1, 1992, and by $5,000,000 on or after October 1, 1993. Amounts made available under this subparagraph shall be used to provide additional amounts under annual contributions contracts for increased fees under this subsection, which shall be used only for the purpose of providing service coordinators for public housing agencies described in subparagraph (A).

[(4) The Secretary may establish or increase a fee in accordance with this subsection only to such extent or in such amounts as are provided in appropriation Acts.

[(r)(1) Any family assisted under subsection (b) or (o) may receive such assistance to rent an eligible dwelling unit if the dwelling unit to which the family moves is within the same State, or the same or a contiguous metropolitan statistical area as the metropolitan statistical area within which is located the area of jurisdiction of the public housing agency approving such assistance; except that any family not living within the jurisdiction of a public housing agency at the time that such family applies for assistance from such agency shall, during the 12-month period beginning upon the receipt of any tenant-based rental assistance made available on behalf of the family, use such assistance to rent an eligible dwelling unit located within the jurisdiction served by such public housing agency.

[(2) The public housing agency having authority with respect to the dwelling unit to which a family moves under this subsection shall have the responsibility of carrying out the provisions of this subsection with respect to the family. If no public housing agency has authority with respect to the dwelling unit to which a family moves under this subsection, the public housing agency approving the assistance shall have such responsibility.

[(3) In providing assistance under subsection (b) or (o) for any fiscal year, the Secretary shall give consideration to any reduction in the number of resident families incurred by a public housing agency in the preceding fiscal year as a result of the provisions of this subsection.

[(4) The provisions of this subsection may not be construed to restrict any authority of the Secretary under any other provision of law to provide for the portability of assistance under this section.

[(s) In selecting families for the provision of assistance under this section (including subsection (o)), a public housing agency may

not exclude or penalize a family solely because the family resides in a public housing project.

[(t)(1) No owner who has entered into a contract for housing assistance payments under this section on behalf of any tenant in a multifamily housing project shall refuse—

[(A) to lease any available dwelling unit in any multifamily housing project of such owner that rents for an amount not greater than the fair market rent for a comparable unit, as determined by the Secretary under this section, to a holder of a certificate of eligibility under this section a proximate cause of which is the status of such prospective tenant as a holder of such certificate, and to enter into a housing assistance payments contract respecting such unit; or

[(B) to lease any available dwelling unit in any multifamily housing project of such owner to a holder of a voucher under subsection (o), and to enter into a voucher contract respecting such unit, a proximate cause of which is the status of such prospective tenant as holder of such voucher.

[(2) For purposes of this subsection, the term "multifamily housing project" means a residential building containing more than 4 dwelling units.

[(u) In the case of low-income families living in rental projects rehabilitated under section 17 of this Act or section 533 of the Housing Act of 1949 before rehabilitation—

[(1) certificates or vouchers under this section shall be made for families who are required to move out of their units because of the physical rehabilitation activities or because of overcrowding;

[(2) at the discretion of each public housing agency or other agency administering the allocation of assistance, certificates or vouchers under this section may be made for families who would have to pay more than 30 percent of their adjusted income for rent after rehabilitation whether they choose to remain in, or to move from, the project; and

[(3) the Secretary shall allocate assistance for certificates or vouchers under this section to ensure that sufficient resources are available to address the physical or economic displacement, or potential economic displacement, of existing tenants pursuant to paragraphs (1) and (2).

[(v)(1) The Secretary shall extend any expiring contract entered into under this section for loan management assistance or execute a new contract for project-based loan management assistance, if the owner agrees to continue providing housing for low-income families during the term of the contract.

[(2)(A) The eligiblity of a multifamily residential project for loan management assistance under this section shall be determined without regard to whether the project is subsidized or unsubsidized.

[(B) In allocating loan management assistance under this section, the Secretary may give a priority to any project only on the basis that the project has serious financial problems that are likely to result in a claim on the insurance fund in the near future or the project is eligible to receive incentives under subtitle B of the Emergency Low Income Housing Preservation Act of 1987.

[(w) RENEWAL OF EXPIRING CONTRACTS.—Not later than 30 days after the beginning of each fiscal year, the Secretary shall publish in the Federal Register a plan for reducing, to the extent feasible, year-to-year fluctuations in the levels of budget authority that will be required over the succeeding 5-year period to renew expiring rental assistance contracts entered into under this section since the enactment of the Housing and Community Development Act of 1974. To the extent necessary to carry out such plan and to the extent approved in appropriations Acts, the Secretary is authorized to enter into annual contributions contracts with terms of less than 60 months.

[(x) FAMILY UNIFICATION.—

[(1) INCREASE IN BUDGET AUTHORITY.—The budget authority available under section 5(c) for assistance under section 8(b) is authorized to be increased by $100,000,000 on or after October 1, 1992, and by $104,200,000 on or after October 1, 1993.

[(2) USE OF FUNDS.—The amounts made available under this subsection shall be used only in connection with housing certificate assistance under section 8 on behalf of any family (A) who is otherwise eligible for such assistance, and (B) who the public child welfare agency for the jurisdiction has certified is a family for whom the lack of adequate housing is a primary factor in the imminent placement of the family's child or children in out-of-home care or the delayed discharge of a child or children to the family from out-of-home care.

[(3) ALLOCATION.—The amounts made available under this subsection shall be allocated by the Secretary through a national competition among applicants based on demonstrated need for assistance under this subsection. To be considered for assistance, an applicant shall submit to the Secretary a written proposal containing a report from the public child welfare agency serving the jurisdiction of the applicant that describes how a lack of adequate housing in the jurisdiction is resulting in the initial or prolonged separation of children from their families, and how the applicant will coordinate with the public child welfare agency to identify eligible families and provide the families with assistance under this subsection.

[(4) DEFINITIONS.—For purposes of this subsection:

[(A) APPLICANT.—The term "applicant" means a public housing agency or any other agency responsible for administering assistance under section 8.

[(B) PUBLIC CHILD WELFARE AGENCY.—The term "public child welfare agency" means the public agency responsible under applicable State law for determining that a child is at imminent risk of placement in out-of-home care or that a child in out-of-home care under the supervision of the public agency may be returned to his or her family.

[(y) HOMEOWNERSHIP OPTION.—

[(1) USE OF ASSISTANCE FOR HOMEOWNERSHIP.—A family receiving tenant-based assistance under this section may receive assistance for occupancy of a dwelling owned by one or more members of the family if the family—

[(A) is a first-time homeowner;

[(B)(i) participates in the family self-sufficiency program under section 23 of the public housing agency providing the assistance; or

[(ii) demonstrates that the family has income from employment or other sources (other than public assistance), as determined in accordance with requirements of the Secretary, that is not less than twice the payment standard established by the public housing agency (or such other amount as may be established by the Secretary);

[(C) except as provided by the Secretary, demonstrates at the time the family initially receives tenant-based assistance under this subsection that one or more adult members of the family have achieved employment for the period as the Secretary shall require;

[(D) participates in a homeownership and housing counseling program provided by the agency; and

[(E) meets any other initial or continuing requirements established by the public housing agency in accordance with requirements established by the Secretary.

[(2) MONTHLY ASSISTANCE PAYMENT.—

[(A) IN GENERAL.—Notwithstanding any other provisions of this section governing determination of the amount of assistance payments under this section on behalf of a family, the monthly assistance payment for any family assisted under this subsection shall be the amount by which the fair market rental for the area established under subsection (c)(1) exceeds 30 percent of the family's monthly adjusted income; except that the monthly assistance payment shall not exceed the amount by which the monthly homeownership expenses, as determined in accordance with requirements established by the Secretary, exceeds 10 percent of the family's monthly income.

[(B) EXCLUSION OF EQUITY FROM INCOME.—For purposes of determining the monthly assistance payment for a family, the Secretary shall not include in family income an amount imputed from the equity of the family in a dwelling occupied by the family with assistance under this subsection.

[(3) RECAPTURE OF CERTAIN AMOUNTS.—Upon sale of the dwelling by the family, the Secretary shall recapture from any net proceeds the amount of additional assistance (as determined in accordance with requirements established by the Secretary) paid to or on behalf of the eligible family as a result of paragraph (2)(B).

[(4) DOWNPAYMENT REQUIREMENT.—Each public housing agency providing assistance under this subsection shall ensure that each family assisted shall provide from its own resources not less than 80 percent of any downpayment in connection with a loan made for the purchase of a dwelling. Such resources may include amounts from any escrow account for the family established under section 23(d). Not more than 20 percent of the downpayment may be provided from other sources, such as from nonprofit entities and programs of States and units of general local government.

[(5) INELIGIBILITY UNDER OTHER PROGRAMS.—A family may not receive assistance under this subsection during any period when assistance is being provided for the family under other Federal homeownership assistance programs, as determined by the Secretary, including assistance under the HOME Investment Partnerships Act, the Homeownership and Opportunity Through HOPE Act, title II of the Housing and Community Development Act of 1987, and section 502 of the Housing Act of 1949.

[(6) INAPPLICABILITY OF CERTAIN PROVISIONS.—Assistance under this subsection shall not be subject to the requirements of the following provisions:

[(A) Subsection (c)(3)(B) of this section.

[(B) Subsection (d)(1)(B)(i) of this section.

[(C) Any other provisions of this section governing maximum amounts payable to owners and amounts payable by assisted families.

[(D) Any other provisions of this section concerning contracts between public housing agencies and owners.

[(E) Any other provisions of this Act that are inconsistent with the provisions of this subsection.

[(7) REVERSION TO RENTAL STATUS.—

[(A) FHA-INSURED MORTGAGES.—If a family receiving assistance under this subsection for occupancy of a dwelling defaults under a mortgage for the dwelling insured by the Secretary under the National Housing Act, the family may not continue to receive rental assistance under this section unless the family (i) transfers to the Secretary marketable title to the dwelling, (ii) moves from the dwelling within the period established or approved by the Secretary, and (iii) agrees that any amounts the family is required to pay to reimburse the escrow account under section 23(d)(3) may be deducted by the public housing agency from the assistance payment otherwise payable on behalf of the family.

[(B) OTHER MORTGAGES.—If a family receiving assistance under this subsection defaults under a mortgage not insured under the National Housing Act, the family may not continue to receive rental assistance under this section unless it complies with requirements established by the Secretary.

[(C) ALL MORTGAGES.—A family receiving assistance under this subsection that defaults under a mortgage may not receive assistance under this subsection for occupancy of another dwelling owned by one or more members of the family.

[(8) DEFINITION OF FIRST-TIME HOMEOWNER.—For purposes of this subsection, the term "first-time homeowner" means—

[(A) a family, no member of which has had a present ownership interest in a principal residence during the 3 years preceding the date on which the family initially receives assistance for homeownership under this subsection; and

[(B) any other family, as the Secretary may prescribe.

[(aa) REFINANCING INCENTIVE.—

[(1) IN GENERAL.—The Secretary may pay all or a part of the up front costs of refinancing for each project that—

[(A) is constructed, substantially rehabilitated, or moderately rehabilitated under this section;

[(B) is subject to an assistance contract under this section; and

[(C) was subject to a mortgage that has been refinanced under section 223(a)(7) or section 223(f) of the National Housing Act to lower the periodic debt service payments of the owner.

[(2) SHARE FROM REDUCED ASSISTANCE PAYMENTS.—The Secretary may pay the up front cost of refinancing only—

[(A) to the extent that funds accrue to the Secretary from the reduced assistance payments that results from the refinancing; and

[(B) after the application of amounts in accordance with section 1012 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988.

[(z) TERMINATION OF SECTION 8 CONTRACTS AND REUSE OF RECAPTURED BUDGET AUTHORITY.—

[(1) GENERAL AUTHORITY.—The Secretary may reuse any budget authority, in whole or part, that is recaptured on account of termination of a housing assistance payments contract (other than a contract for tenant-based assistance) only for one or more of the following:

[(A) TENANT-BASED ASSISTANCE.—Pursuant to a contract with a public housing agency, to provide tenant-based assistance under this section to families occupying units formerly assisted under the terminated contract.

[(B) PROJECT-BASED ASSISTANCE.—Pursuant to a contract with an owner, to attach assistance to one or more structures under this section, for relocation of families occupying units formerly assisted under the terminated contract.

[(2) FAMILIES OCCUPYING UNITS FORMERLY ASSISTED UNDER TERMINATED CONTRACT.—Pursuant to paragraph (1), the Secretary shall first make available tenant- or project-based assistance to families occupying units formerly assisted under the terminated contract. The Secretary shall provide project-based assistance in instances only where the use of tenant-based assistance is determined to be infeasible by the Secretary.

[(3) EFFECTIVE DATE.—This subsection shall be effective for actions initiated by the Secretary on or before September 30, 1995.

[ANNUAL CONTRIBUTIONS FOR OPERATION OF LOWER INCOME HOUSING PROJECTS

[SEC. 9. (a)(1)(A) In addition to the contributions authorized to be made for the purposes specified in section 5 of this Act, the Secretary may make annual contributions to public housing agencies for the operation of low-income housing projects. The contributions payable annually under this section shall not exceed the amounts

which the Secretary determines are required (i) to assure the lower income character of the projects involved, (ii) to achieve and maintain adequate operating services and reserve funds, and (iii) with respect to housing projects developed under the Indian and Alaskan Native housing program assisted under this Act, to provide funds (in addition to any other operating costs contributions approved by the Secretary under this section) as determined by the Secretary to be required to cover the administrative costs to an Indian housing authority during the development period of a project approved pursuant to section 5 and until such time as the project is occupied. The Secretary shall embody the provisions for such annual contributions in a contract guaranteeing their payment subject to the availability of funds, and such contract shall provide that no disposition of the low-income housing project, with respect to which the contract is entered into, shall occur during and for ten years after the period when contributions were made pursuant to such contract unless approved by the Secretary. If the Secretary determines that a public housing agency has failed to take the actions required to submit an acceptable audit on a timely basis in accordance with chapter 75 of title 31, United States Code, the Secretary may arrange for, and pay the costs of, the audit. In such circumstances, the Secretary may withhold, from assistance otherwise payable to the agency under this section, amounts sufficient to pay for the reasonable costs of conducting an acceptable audit, including, when appropriate, the reasonable costs of accounting services necessary to place the agency's books and records in auditable condition.

[(B)(i) Annual contributions under this section to any public housing agency for any project with a sufficient number of residents who are frail elderly or persons with disabilities may be used, with respect to such project, for (I) the cost of a management staff member to coordinate the provision of any services within the project provided through any agency of the Federal Government or any other public or private department, agency, or organization to residents of the project who are frail elderly or persons with disabilities to enable such residents to live independently and prevent placement in nursing homes or institutions; and (II) expenses for the provision of services for such residents of the project to enable such residents to live independently and prevent placement in nursing homes or institutions, which may include meal services, housekeeping and chore assistance, personal care, laundry assistance, transportation services, and health-related services, except that not more than 15 percent of the cost of the provision of such services may be provided under this section. For purposes of this clause, the term ''frail elderly'' shall have the meaning given the term under section 202(d) of the Housing Act of 1959, except that such term does not include any person receiving assistance provided under the Congregate Housing Services Act of 1978 or section 802 of the Cranston-Gonzalez National Affordable Housing Act, and the term ''persons with disabilities'' shall have the meaning given the term under section 811 of the Cranston-Gonzalez National Affordable Housing Act.

[(ii) Annual contributions under this section to any public housing agency for any project may be used, with respect to such

project, for (I) the cost of employing or otherwise retaining the services of one or more service coordinators under section 661 of the Housing and Community Development Act of 1992 to coordinate the provision of any supportive services within the project for residents of the project who are elderly families and disabled families, and (II) expenses for the provision of such services for such residents of the project. Not more than 15 percent of the cost of the provision of such services may be provided under this section. Services may not be provided under this clause for any person receiving assistance under the Congregate Housing Services Act of 1978 or section 802 of the Cranston-Gonzalez National Affordable Housing Act. The budget authority available under section 5(c) for assistance under this section is authorized to be increased by $30,000,000 on or after October 1, 1992, and by $30,000,000 on or after October 1, 1993. Amounts made available under this clause shall be used to provide additional annual contributions to public housing agencies only for the purpose of providing service coordinators and services under this clause for public housing projects.

[(2) The Secretary may not make assistance available under this section for any low-income housing project unless such project is one developed pursuant to a contributions contract authorized by section 5 but not subject to section 8, except that after the duration of any such contributions contract with respect to a low-income housing project, the Secretary may provide assistance under this section with respect to such project as long as the lower income nature of such project is maintained.

[(3)(A) For purposes of making payments under this section (except for payments under paragraph (1)(B)), the Secretary shall utilize a performance funding system that is substantially based on the system defined in regulations and in effect on the date of the enactment of the Housing and Community Development Act of 1987 (as modified by this paragraph), and that establishes standards for costs of operation and reasonable projections of income, taking into account the character and location of the project and the characteristics of the families served, in accordance with a formula representing the operations of a prototype well-managed project. Such performance funding system shall be established in consultation with public housing agencies and their associations, be contained in a regulation promulgated by the Secretary prior to the start of any fiscal year to which it applies, and remain in effect for the duration of such fiscal year without change. Notwithstanding the preceding sentences, the Secretary shall revise the performance funding system by June 15, 1988, to accurately reflect the increase in insurance costs incurred by public housing agencies. Notwithstanding sections 583(a) and 585(a) of title 5, United States Code (as added by section 3(a) of the Negotiated Rulemaking Act of 1990), any proposed regulation providing for amendment, alteration, adjustment, or other change to the performance funding system relating to vacant public housing units shall be issued pursuant to a negotiated rulemaking procedure under subchapter IV of chapter 5 of such title (as added by section 3(a) of the Negotiated Rulemaking Act of 1990), and the Secretary shall establish a negotiated rulemaking committee for development of any such proposed regulations.

[(B) Under the performance funding system established under this paragraph—

[(i) in the first year that the reductions occur, any public housing agency shall share equally with the Secretary any cost reductions due to the differences between projected and actual utility rates attributable to actions taken by the agency which lead to such reductions, and in subsequent years, if the energy savings are cost-effective, the Secretary may continue the sharing arrangement with the public housing agency for a period not to exceed 6 years;

[(ii) in the case of any public housing agency that receives financing (from a person other than the Secretary) or enters into a performance contract to undertake energy conservation improvements in a public housing project, under which payment does not exceed the cost of the energy saved as a result of the improvements during a negotiated contract period of not more than 12 years that is approved by the Secretary—

[(I) the public housing agency shall retain 100 percent of any cost avoidance due to differences between projected and actual utility consumption (adjusted for heating degree days) attributable to the improvements, until the term of the financing agreement is completed, at which time the annual utility expense level 3-year rolling base procedures shall be applied using—

[(a) in the first year following the end of the contract period, the energy use during the 2 years prior to installation of the energy conservation improvements and the last contract year;

[(b) in the second year following the end of the contract period, the energy use during the 1 year prior to installation of the energy conservation improvements and the 2 years following the end of the contract period; and

[(c) in the third year following the end of the contract period, the energy use in the 3 years following the end of the contract period; or

[(II) the Secretary shall provide an additional operating subsidy above the current allowable utility expense level equivalent to the cost of the energy saved as a result of the improvements and sufficient to cover payments for the improvements through the term of the contract or agreement;

[(iii) there shall be a formal review process for the purpose of providing such revisions (either increases or reductions) to the allowable expense level of a public housing agency as necessary—

[(I) to correct inequities and abnormalities that exist in the base year expense level of such public housing agency;

[(II) to accurately reflect changes in operating circumstances since the initial determination of such base year expense level; and

[(III) to ensure that the allowable expense limit accurately reflects the higher cost of operating the project in an economically distressed unit of local government and the

lower cost of operating the project in an economically prosperous unit of local government;

[(iv) if a public housing agency redesigns or substantially rehabilitates a public housing project so that 2 or more dwelling units are combined to create a single larger dwelling unit, the payments received under this section shall not be reduced solely because of the resulting reduction in the number of dwelling units if not less than the same number of individuals will reside in the new larger dwelling unit as resided in the dwelling units that were combined to form such larger dwelling unit; and

[(v) if a public housing agency renovates, converts, or combines one or more dwelling units in a public housing project to create congregate space to accommodate the provision of supportive services in accordance with section 22 of this Act and section 802 of the Cranston-Gonzalez National Affordable Housing Act, the payments received under this section shall not be reduced because of the resulting reduction in the number of dwelling units.

[(4) Adjustments to a public housing agency's operating subsidy made by the Secretary under this section shall reflect actual changes in rental income collections resulting from the application of section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988.

[(b) The aggregate rentals required to be paid in any year by families residing in the dwelling units administered by a public housing agency receiving annual contributions under this section shall not be less than an amount equal to one-fifth of the sum of the incomes of all such families.

[(c)(1) There are authorized to be appropriated for purposes of providing annual contributions under this section $2,282,436,000 for fiscal year 1993 and $2,378,298,312 for fiscal year 1994.

[(2) There are also authorized to be appropriated to provide annual contributions under this section, in addition to amounts under paragraph (1), such sums as may be necessary for each of fiscal years 1993 and 1994, to provide each public housing agency with the difference between (A) the amount provided to the agency from amounts appropriated pursuant to paragraph (1), and (B) all funds for which the agency is eligible under the performance funding system without adjustments for estimated or unrealized savings.

[(3) In addition to amounts under paragraphs (1) and (2), there are authorized to be appropriated for annual contributions under this section to provide for the costs of the adjustments to income and adjusted income under the amendments made by sections 573(b) and (c) of the Cranston-Gonzalez National Affordable Housing Act such sums as may be necessary for fiscal years 1993 and 1994.

[(d) If, in any fiscal year beginning after September 30, 1979, any funds which have been appropriated for such year remain after applying the provisions of the second and fourth sentences of subsection (a)(1), the Secretary shall distribute such funds to low-income housing projects which incurred excessive costs which were beyond their control and the full extent of which was not taken into account in the original distribution of funds for such fiscal year.

[(e) In the case of any public housing agency that submits its budget for any fiscal year of such agency to the Secretary in a timely manner in accordance with the regulations issued by the Secretary under this section, assistance to be provided to such agency under this section for such fiscal year shall commence not later than the 1st month of such fiscal year, and shall be paid in accordance with such payment schedule as may be agreed upon by the Secretary and such agency.

[GENERAL PROVISIONS

[SEC. 10. (a) In the performance of, and with respect to, the functions, powers, and duties vested in him by this Act, the Secretary, notwithstanding the provisions of any other law, shall—

[(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by chapter 91 of title 31, United States Code; and

[(2) maintain an integral set of accounts which shall be audited annually by the General Accounting Office in accordance with the principles and procedures applicable to commercial transactions as provided by chapter 91 of title 31, United States Code, and no other audit shall be required.

[(b) All receipts and assets of the Secretary under this Act shall be available for the purposes of this Act until expended.

[(c) The Federal Reserve banks are authorized and directed to act as depositories, custodians, and fiscal agents for the Secretary in the general exercise of his powers under this Act, and the Secretary may reimburse any such bank for its services in such manner as may be agreed upon.

[FINANCING LOWER INCOME HOUSING PROJECTS

[SEC. 11. (a) Obligations issued by a public housing agency in connection with low-income housing projects which (1) are secured (A) by a pledge of a loan under any agreement between such public housing agency and the Secretary, or (B) by a pledge of annual contributions under an annual contributions contract between such public housing agency and the Secretary, or (C) by a pledge of both annual contributions under an annual contributions contract and a loan under an agreement between such public housing agency and the Secretary, and (2) bear, or are accompanied by, a certificate of the Secretary that such obligations are so secured, shall be incontestable in the hands of a bearer and the full faith and credit of the United States is pledged to the payment of all amounts agreed to be paid by the Secretary as security for such obligations.

[(b) Except as provided in section 5(g), obligations, including interest thereon, issued by public housing agencies in connection with low-income housing projects shall be exempt from all taxation now or hereafter imposed by the United States whether paid by such agencies or by the Secretary. The income derived by such agencies from such projects shall be exempt from all taxation now or hereafter imposed by the United States.

[LABOR STANDARDS

[SEC. 12. (a) Any contract for loans, contributions, sale, or lease pursuant to this Act shall contain a provision requiring that not less than the wages prevailing in the locality, as determined or adopted (subsequent to a determination under applicable State or local law) by the Secretary, shall be paid to all architects, technical engineers, draftsmen, and technicians employed in the development, and all maintenance laborers and mechanics employed in the operation, of the low-income housing project involved; and shall also contain a provision that not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (49 Stat. 1011), shall be paid to all laborers and mechanics employed in the development of the project involved (including a project with nine or more units assisted under section 8 of this Act, where the public housing agency or the Secretary and the builder or sponsor enter into an agreement for such use before construction or rehabilitation is commenced), and the Secretary shall require certification as to compliance with the provisions of this section prior to making any payment under such contract.

[(b) Subsection (a) and the provisions relating to wages (pursuant to subsection (a)) in any contract for loans, annual contributions, sale, or lease pursuant to this Act, shall not apply to any individual that—

[(1) performs services for which the individual volunteered;

[(2)(A) does not receive compensation for such services; or

[(B) is paid expenses, reasonable benefits, or a nominal fee for such services; and

[(3) is not otherwise employed at any time in the construction work.

[ENERGY CONSERVATION

[SEC. 13. The Secretary shall, to the maximum extent practicable, require that newly constructed and substantially rehabilitated projects assisted under this Act with authority provided on or after October 1, 1979, shall be equipped with heating and cooling systems selected on the basis of criteria which include a life-cycle cost analysis of such systems.

[PUBLIC AND INDIAN HOUSING MODERNIZATION

[SEC. 14. (a) It is the purpose of this section to provide assistance—

[(1) to improve the physical condition of existing public housing projects; and

[(2) to upgrade the management and operation of such projects;

in order to assure that such projects continue to be available to serve low-income families.

[(b)(1) The Secretary may make available and contract to make available financial assistance (in such amounts as are authorized pursuant to section 5(c) and as may be approved in appropriations Acts) to public housing agencies for the purpose of improving the physical condition of existing low-rent public housing projects and

for upgrading the management and operation of such projects to the extent necessary to maintain such physical improvements.

[(2) The Secretary may make contributions (in the form of grants) to public housing agencies under this section. The contract under which the contributions shall be made shall specify that the terms and conditions of the contract shall remain in effect for a 20-year period for any project receiving the benefit of a grant under the contract.

[(c) Assistance under subsection (b) may be made available only for buildings of low-rent housing projects—

[(1) which projects are owned by public housing agencies;

[(2) which projects are operated as rental housing projects and assisted under section 5 or section 9 of this Act;

[(3) which projects are not assisted under section 8 of this Act;

[(4) which buildings are not assisted under section 5(j)(2); and

[(5) which projects meet such other requirements consistent with the purposes of this section as the Secretary may prescribe.

[(d) Except as provided in subsection (f)(4), no assistance may be made available under subsection (b) to a public housing agency that owns or operates less than 250 public housing dwelling units unless the Secretary has approved an application from the public housing agency which has been developed in consultation with appropriate local officials and with tenants of the housing projects for which assistance is requested. Such application shall contain at least—

[(1) a comprehensive assessment of (A) the current physical condition of each project for which assistance is requested, and (B) the physical improvements necessary for each such project to meet the standards established by the Secretary pursuant to subsection (j);

[(2) a comprehensive assessment of the improvements needed to upgrade the management and operation of each such project so that decent, safe, and sanitary living conditions will be provided in such projects; such assessment shall include at least an identification of needs related to—

[(A) the management, financial, and accounting control systems of the public housing agency which are related to each project eligible for assistance under this section;

[(B) the adequacy and qualifications of personnel employed by such public housing agency (in the management and operation of such projects) for each category of employment; and

[(C) the adequacy and efficacy of—

[(i) tenant programs and services in such projects;

[(ii) the security of each such project and its tenants;

[(iii) policies and procedures of the public housing agency for the selection and eviction of tenants in such projects; and

[(iv) other policies and procedures of such agency relating to such projects, as specified by the Secretary; and

[(3) a plan for making the improvements and for meeting the needs, described in paragraphs (1) and (2); such plan shall include at least—

[(A) a schedule of those actions which are to be completed, over a period of not greater than 5 years from the date of approval of such application by the Secretary, within each 12-month period covered by such plan and which are necessary—

[(i) to make the improvements, described in paragraph (1)(B), for each project for which assistance is requested, and

[(ii) to upgrade the management and operation of such projects as described in paragraph (3); and

[(B) the estimated cost of each of the actions described in subparagraph (A).

[(e)(1) No financial assistance may be made available under this section to a public housing agency that owns or operates 250 or more public housing dwelling units unless the Secretary approves (or has approved before the effective date of this subsection) a 5-year comprehensive plan submitted by the public housing agency, except that the Secretary may provide such assistance if it is necessary to correct conditions that constitute an immediate threat to the health or safety of tenants. The comprehensive plan shall contain—

[(A) a comprehensive assessment of—

[(i) the current physical condition of each public housing project owned or operated by the public housing agency;

[(ii) the physical improvements necessary for each such project to permit the project—

[(I) to be rehabilitated to a level at least equal to the modernization standards specified in the Modernization Handbook of the Department of Housing and Urban Development in effect on the date of the enactment of the Housing and Community Development Act of 1987, as well as the modernization standards established by the Secretary and in effect at the time of the preparation of the comprehensive plan; and

[(II) to comply with life-cycle cost-effective energy conservation performance standards established by the Secretary to reduce operating costs over the estimated life of the building; and

[(iii) the replacement needs of equipment systems and structural elements that will be required to be met (assuming routine and timely maintenance is performed) during the 5-year period covered by the comprehensive plan;

[(B) a comprehensive assessment of the improvements needed to upgrade the management and operation of the public housing agency and of each such project so that decent, safe, and sanitary living conditions will be provided such projects,

which assessment shall include at least an identification of needs related to—

[(i) the management, financial, and accounting control systems of the public housing agency that are related to such projects;

[(ii) the adequacy and qualifications of personnel appropriate to be employed by the public housing agency (in the management and operation of such projects) for each significant category of employment; and

[(iii) the improvement of the efficacy of—

[(I) tenant programs and services in such projects;

[(II) the security of each such project and its tenants;

[(III) policies and procedures of the public housing agency for the selection and eviction of tenants in such projects; and

[(IV) other policies and procedures of the public housing agency relating to such projects, as specified by the Secretary;

[(C) an analysis, made on a project-by-project basis in accordance with standards and criteria prescribed by the Secretary, demonstrating that completion of the improvements and replacements identified under subparagraphs (A) and (B) will reasonably ensure the long-term physical and social viability of each such project at a reasonable cost;

[(D) an action plan for making the improvements and replacements identified under subparagraphs (A) and (B) that are determined under the analysis described in subparagraph (C) to reasonably ensure long-term viability of each such project at a reasonable cost, which action plan shall include at least a schedule, in order of priority established by the public housing agency, of the actions that are to be completed over a period of 5 years from the date of approval of the comprehensive plan by the Secretary (or any longer period reasonably needed to make the improvements and replacements, considering the scope of the improvements and replacements and the amount of funding provided) and that are necessary—

[(i) to make the improvements and replacements identified under subparagraph (A) for each project expected to receive capital improvements or replacements (with priority to improvements and replacements required to correct any life threatening condition); and

[(ii) to upgrade the management and operation of the public housing agency and its public housing projects as described in subparagraph (B);

[(E) a statement, to be signed by the chief local government official (or Indian tribal official, if appropriate), certifying that—

[(i) the comprehensive plan was developed by the public housing agency in consultation with appropriate local government officials (or Indian tribal officials) and with tenants of the housing projects (or tenants of the Indian housing projects) eligible for assistance under this section, which shall include at least one public hearing that shall

be held prior to the initial adoption of any plan by the public housing agency for use of such assistance, and afford tenants and interested parties an opportunity to summarize their priorities and concerns, to ensure their due consideration in the planning process of the public housing agency; and

[(ii) the comprehensive plan is consistent with the assessment of the community of its low-income housing needs and that the unit of general local government (or Indian tribe) will cooperate in the provision of tenant programs and services (as defined in section 3(c)(2));

[(F) a statement, to be signed by the chief public housing official, certifying that the public housing agency will carry out the comprehensive plan in conformity with title VI of the Civil Rights Act of 1964, title VIII of the Act of April 11, 1968 (commonly known as the Civil Rights Act of 1968), and section 504 of the Rehabilitation Act of 1973;

[(G) a preliminary estimate of the total cost of the items identified in subparagraphs (A) and (B), including a preliminary estimate of the funds that will be required during each year covered by the comprehensive plan to accomplish the work pursuant to the action plan; and

[(H) such other information as the Secretary may require.

[(2)(A) The Secretary shall approve a comprehensive plan unless—

[(i) the comprehensive plan is incomplete in significant matters;

[(ii) on the basis of available significant facts and data pertaining to the physical and operational condition of the public housing projects of the public housing agency or the management and operations of the public housing agency, the Secretary determines that the identification by the public housing agency of needs is plainly inconsistent with such facts and data;

[(iii) on the basis of the comprehensive plan, the Secretary determines that the action plan described in paragraph (1)(D) is plainly inappropriate to meeting the needs identified in the comprehensive plan, or that the public housing agency has failed to demonstrate that completion of improvements and replacements identified under subparagraphs (A) and (B) of paragraph (1) will reasonably ensure long-term viability of one or more public housing projects to which they relate at a reasonable cost; or

[(iv) there is evidence available to the Secretary that tends to challenge in a substantial manner any certification contained in the comprehensive plan.

[(B) The comprehensive plan shall be considered to be approved, unless the Secretary notifies the public housing agency in writing within 75 calendar days of submission that the Secretary has disapproved the comprehensive plan as submitted, indicating the reasons for disapproval and modifications required to make the comprehensive plan approvable.

[(3)(A) Each public housing agency that owns or operates 250 or more public housing dwelling units shall, after being advised by

the Secretary of the estimated assistance it will receive under this section in any fiscal year, submit to the Secretary, at a date determined by the Secretary, an annual statement of the activities and expenditures projected to be undertaken, in whole or in part, by such assistance during the 12-month period immediately following the execution of the contract for such assistance. As long as the activities and expenditures are consistent with the approved plan, the public housing agency shall have total discretion in expending assistance for any activity or work set forth in the plan. The annual statement shall include a certification by the public housing agency that the proposed activities and expenditures are consistent with the approved comprehensive plan of the public housing agency. The annual statement also shall include a certification that the public housing agency has provided the tenants of the public housing affected by the planned activities the opportunity to review the annual statement and comment on it, and that such comments have been taken into account in formulating the annual statement as submitted to the Secretary.

[(B) A public housing agency may propose an amendment to its comprehensive plan under paragraph (1) in any annual statement. Any such proposed amendment shall be reviewed in accordance with paragraph (2), and shall include a certification that (i) the proposed amendment has been made publicly available for comment prior to its submission; (ii) affected tenants have been given sufficient time to review and comment on it; and (iii) such comments have been taken into consideration in the preparation and submission of the amendment. A public housing agency shall have a right to amend its comprehensive plan and related statements to extend the time for performance whenever the Secretary has not provided the amount of assistance set forth in the plan or has not provided the assistance in a timely manner.

[(C) The Secretary shall approve the annual statement and any amendment to it or the comprehensive plan unless the Secretary determines that the statement or amendment is plainly inconsistent with the activities specified in the comprehensive plan. The statement or amendment shall be considered to be approved, unless the Secretary notifies the public housing agency in writing before the expiration of the 75-day period following its submission that the Secretary has disapproved it as submitted, indicating the reasons for disapproval and the modifications required to make it approvable.

[(4)(A) Each public housing agency that owns or operates 250 or more public housing dwelling units shall submit to the Secretary, on a date determined by the Secretary, a performance and evaluation report concerning the use of funds made available under this section. The report of the public housing agency shall include an assessment by the public housing agency of the relationship of such use of funds made available under this section, as well as the use of other funds, to the needs identified in the comprehensive plan of the public housing agency and to the purposes of this section. The public housing agency shall certify that the report has been made available for review and comment by affected tenants prior to its submission to the Secretary.

[(B) The Secretary shall, at least on an annual basis, make such reviews as may be necessary or appropriate to determine whether each public housing agency receiving assistance under this section—

[(i) has carried out its activities under this section in a timely manner and in accordance with its comprehensive plan;

[(ii) has a continuing capacity to carry out its comprehensive plan in a timely manner;

[(iii) has satisfied, or has made reasonable progress towards satisfying, such performance standards as shall be prescribed by the Secretary, and has made reasonable progress in carrying out modernization projects approved under this section.

[(C) Each public housing agency that owns or operates 250 or more public housing dwelling units and receives assistance under this section shall have an audit made in accordance with chapter 75 of title 31, United States Code. The Secretary, the Inspector General of the Department of Housing and Urban Development, and the Comptroller General of the United States shall have access to all books, documents, papers, or other records that are pertinent to the activities carried out under this section in order to make audit examinations, excerpts, and transcripts.

[(D) The comprehensive plan, any amendments to the comprehensive plan, and the annual statement shall, once approved by the Secretary, be binding upon the Secretary and the public housing agency. The Secretary may order corrective action only if the public housing agency does not comply with subparagraph (A) or (B) or if an audit under subparagraph (C) reveals findings that the Secretary reasonably believes require such corrective action. The Secretary may withhold funds under this section only if the public housing agency fails to take such corrective action after notice and a reasonable opportunity to do so. In administering this section, the Secretary shall, to the greatest extent possible, respect the professional judgment of the administrators of the public housing agency.

[(f)(1) The amount of financial assistance made available under subsection (b) to any public housing agency that owns or operates less than 250 public housing dwelling units with respect to any year may not exceed the sum of—

[(A) an amount determined by the Secretary to be necessary to undertake the actions specified for such year in the schedule submitted pursuant to subsection (d)(3)(A);

[(B) the amount determined necessary by the Secretary to reimburse the public housing agency for the cost of developing the plan described pursuant to subsection (d)(3), less any amount which has been provided such public housing agency with respect to such year under paragraph (4); and

[(C) in the case of a public housing agency which meets such criteria of financial distress as are established by the Secretary and which has submitted the information described in paragraphs (1) and (2) of subsection (d), the amount determined necessary by the Secretary to enable such agency to develop the plan described pursuant to subsection (d)(3);

except that not more than 5 per centum of the total amount utilized for contributions contracts under subsection (b) in any year

shall be made available for the purposes described in paragraphs (3) and (4).

[(2) A public housing agency that owns or operates 250 or more public housing dwelling units may use financial assistance received under subsection (b) only—

[(A) to undertake activities described in its approved comprehensive plan under subsection (e)(1) or its annual statement under subsection (e)(3);

[(B) to correct conditions that constitute an immediate threat to the health or safety of tenants, whether or not the need for such correction is indicated in its comprehensive plan or annual statement; and

[(C) to prepare a comprehensive plan under subsection (e)(1), including reasonable costs that may be necessary to assist tenants in participating in the planning process in a meaningful way, an annual statement under subsection (e)(3), an annual performance and evaluation report under subsection (e)(4)(A), and an audit under subsection (e)(4)(C).

[(g) No assistance shall be made available to a public housing agency pursuant to subsection (b) for any year subsequent to the first year for which such assistance is made available to such agency unless the Secretary has determined that such agency has made substantial efforts to meet the objectives for the preceding year under the plan described in subsection (d)(3) or (e) and approved by the Secretary.

[(h) In making assistance available under subsection (b) to a public housing agency that owns or operates fewer than 250 public housing dwelling units, the Secretary shall give preference to public housing agencies—

[(1) which request assistance for projects (A) having conditions which threaten the health or safety of the tenants, or (B) having a significant number of vacant, substandard units; and

[(2) which have demonstrated a capability of carrying out the activities proposed in the plan submitted by the agency pursuant to subsection (d)(3) and approved by the Secretary.

[(i)(1) In addition to assistance made available under subsection (b) to a public housing agency that owns or operates fewer than 250 public housing dwelling units, the Secretary may, without regard to the requirements of subsection (c), (d), (f), (g), or (h), make available and contract to make available financial assistance (in such amounts as are authorized pursuant to section 5(c) and as approved in appropriation Acts) to any public housing agency in an amount which the Secretary determines is necessary to meet emergency or special purpose needs, especially emergency and special purpose needs which relate to fire safety standards. Such needs shall be limited to—

[(A) correcting conditions which threaten the health or safety of the tenants of any project (i) which is described in subsection (c), and (ii) with respect to which an application for assistance pursuant to subsection (d) has not been approved by the Secretary;

[(B) correcting conditions (i) which threaten the health or safety of the tenants of any project with respect to which an application for assistance pursuant to subsection (d) has been

approved, and (ii) which were unanticipated at the time of the development of such application;

[(C) correcting conditions which threaten the health or safety of the occupants of any low-income housing project not described in subsection (c) and not assisted pursuant to section 8;

[(D)(i) physical improvements needs which (I) would not otherwise be eligible for assistance under this section, and (II) pertain to any low-income housing project other than a project assisted under section 8; and

[(ii) physical improvement needs eligible under this subparagraph shall include replacing or repairing major equipment systems or structural elements, upgrading security, increasing accessibility for elderly and disabled families (as such terms are defined in section 3(b)(3)), reducing the number of vacant substandard units, and increasing the energy efficiency of the units, except that the Secretary may make financial assistance available under this clause only if the Secretary determines that the physical improvements are necessary and sufficient to extend substantially the useful life of the project; or

[(E) management improvement needs which (i) would not otherwise be eligible for assistance under this section, and (ii) pertain to any low-income housing project other than a project assisted under section 8.

[(2) The Secretary may issue such rules and regulations as may be necessary to carry out this subsection.

[(j)(1) The Secretary may issue such rules and regulations as may be necessary to carry out the provisions and purposes of this section.

[(2) The Secretary shall issue rules and regulations establishing standards which provide for decent, safe, and sanitary living conditions in low-rent public housing projects and for energy conserving improvements in such projects and which, to the extent practicable, are consistent with the Minimum Property Standards for Multi-Family Housing as they reasonably would be applied to existing housing, except that the Secretary may establish higher standards on a project-by-project basis in such cases where the Secretary deems such higher standards appropriate for furthering the purposes of this section.

[(k)(1) From amounts approved in appropriation Acts for grants under this section for fiscal year 1992 and each fiscal year thereafter, and to the extent provided by such Acts, the Secretary shall reserve not more than $75,000,000 (including unused amounts reserved during previous fiscal years), which shall be available for modernization needs resulting from natural and other disasters and from emergencies. Amounts provided for emergencies shall be repaid by public housing agencies from future allocations of assistance under paragraph (2), where available.

[(2)(A) After determining the amounts to be reserved under paragraphs (1) and (5)(D)(iv), the Secretary shall allocate the amount remaining pursuant to a formula contained in a regulation prescribed by the Secretary, which shall be designed to measure the relative needs of public housing agencies. The formula shall take into account amounts previously made available by the Sec-

retary for modernization under this section and for major reconstruction of obsolete projects, to the extent determined appropriate by the Secretary.

[(B) The Secretary shall allocate half of the amount allocated under this paragraph based on the relative backlog needs of public housing agencies, determined—

[(i) for individual public housing agencies with 250 or more units and for the aggregate of agencies with fewer than 250 units, where the data are statistically reliable, on the basis of the most recently available, statistically reliable data regarding the (I) backlog of needed repairs and replacements of existing physical systems in public housing projects, (II) items that must be added to projects to meet the modernization standards of the Secretary (referred to in subsection (e)(1)(A)(ii)(I)) and State and local codes, and (III) items that are necessary or highly desirable for the long-term viability of a project; or

[(ii) for individual public housing agencies with 250 or more units, where such data are not statistically reliable, on the basis of estimates of the categories of backlog specified in clause (i) using the most recently available data on the backlog, and objectively measurable data on public housing agency, community, and project characteristics regarding—

[(I) the average number of bedrooms in the units in a project;

[(II) the proportion of units in a project available for occupancy by very large families;

[(III) the extent to which units for families are in high-rise elevator projects;

[(IV) the age of the projects;

[(V) in the case of a large agency, as determined by the Secretary, the number of units with 2 or more bedrooms;

[(VI) the cost of rehabilitating property in the area;

[(VII) for family projects, the extent of population decline in the unit of general local government determined on the basis of the 1970 and 1980 censuses; and

[(VIII) any other factors the Secretary determines are appropriate.

The Secretary may not establish or amend any criteria regarding the backlog needs of public housing agencies under this subparagraph, except by rule as provided under section 553 of title 5, United States Code.

[(C) The Secretary shall allocate the other half of the amount allocated under this paragraph based on the relative accrued needs of public housing agencies for the categories of need specified in subparagraphs (B)(i) (I) and (II), determined—

[(i) for individual public housing agencies with 250 or more units and for the aggregate of agencies with fewer than 250 units, where the data are statistically reliable, on the basis of the needs that are estimated to have accrued since the date of the last objective measurement of backlog needs under subparagraph (B); or

[(ii) for individual public housing agencies with 250 or more units, where the estimates under clause (i) are not statistically reliable, on the basis of estimates of accrued need using the

most recently available data on the backlog, and objectively measurable data on public housing agency, community, and project characteristics regarding—

[(I) the average number of bedrooms of the units in a project;

[(II) the proportion of units in a project available for occupancy by very large families;

[(III) the age of the projects;

[(IV) the extent to which the buildings in projects of an agency average fewer than 5 units;

[(V) the cost of rehabilitating property in the area;

[(VI) the total number of units of each agency that owns or operates 250 or more units; and

[(VII) any other factors the Secretary determines are appropriate.

The Secretary may not establish or amend any criteria regarding the accrual needs of public housing agencies under this subparagraph, except by rule as provided under section 553 of title 5, United States Code.

[(D)(i) In determining how many units an agency owns or operates and the relative modernization needs of agencies, the Secretary shall, except as otherwise agreed by the Secretary and the agency, count each existing unit under the annual contributions contract, except that an existing unit under the turnkey III and the mutual help programs may be counted as less than one unit, to take into account the responsibility of families for the costs of certain maintenance and repair. For purposes of this section, an agency that qualifies to receive a formula grant under paragraph (4) may elect to continue to qualify to receive a formula grant if it owns or operates at least 200 public housing units.

[(ii) Where an existing unit under a contract is demolished or disposed of, the Secretary shall not adjust the amount the agency receives under the formula unless more than one percent of the units are affected on a cumulative basis. Where more than one percent of the units are demolished or disposed of, the Secretary shall reduce the formula amount for the agency over a 3-year period to reflect removal of the units from the contract.

[(iii) The Secretary shall determine whether the data under subparagraphs (B) and (C) are statistically reliable.

[(3) The amount determined under the formula for agencies with fewer than 250 units shall be allocated in accordance with subsection (d).

[(4) The amount determined under the formula for each agency that owns or operates 250 or more units shall be allocated to each qualifying agency in accordance with subsection (e).

[(5)(A) With respect to any agency that is designated as a troubled agency with respect to the program under this section upon the initial designation of such troubled agencies under section 6(j)(2)(A)(i), the Secretary shall limit the total amount of funding under this section for the agency for fiscal year 1992 and any fiscal year thereafter, if the agency remains designated as a troubled agency, to the sum of—

[(i) the average of the amount that the troubled agency received for modernization activities under this section and for

major reconstruction of obsolete projects for each of fiscal years 1989, 1990, and 1991, which average shall be adjusted to take into account changes in the cost of rehabilitating property; plus

[(ii) 25 percent of the difference between the amount determined under clause (i) and the amount that would be allocated to the agency in such fiscal year if the agency were not designated as a troubled agency.

[(B) In any fiscal year the Secretary may, pursuant to the request of a troubled agency, increase the amount allocated to the agency under subparagraph (A) to an amount not exceeding the amount that would be allocated to the agency in such fiscal year if the agency were not a troubled agency. An increase under this subparagraph shall be based on the agency's progress toward meeting the performance indicators under section 6(j)(1). The Secretary shall render a decision in writing on each such request not later than 75 days after receipt of the request and any necessary supporting documentation.

[(C) For any fiscal year, any amounts that would have been allocated to an agency under the formula under paragraph (2) that are not allocated to the agency because the agency receives the amount provided under subparagraph (A) of this paragraph, shall be allocated in such year pursuant to the formula to other agencies with 500 or more units.

[(D) The Secretary shall carry out a credit system under this subparagraph to provide agencies that receive allocations under subparagraph (A) with additional assistance under this section after the agency is determined not to be a troubled agency, to compensate for amounts not received because of the troubled agency designation. The credit system shall be subject to the following requirements:

[(i) Any agency that receives assistance pursuant to subparagraph (A) for any fiscal year shall receive credits for the difference between the amount that the agency would have been allocated in such year if it were not designated a troubled agency and the amount allocated for the agency for such year under subparagraph (A).

[(ii) An agency may not receive credits under this subparagraph for more than 3 consecutive fiscal years.

[(iii) After a 3-year period during which an agency has accrued credits, the credits accrued by the agency shall be—

[(I) decreased by 10 percent of the total credits accumulated if the designation as a troubled agency is not removed before the conclusion of the first fiscal year after such 3-year period of accrual of credits;

[(II) decreased by an additional 20 percent of the original total accumulated credits if the designation as a troubled agency is not removed before the conclusion of the second fiscal year after such 3-year accrual period;

[(III) decreased by an additional 30 percent of the original total accumulated credits if the designation as a troubled agency is not removed before the conclusion of the third fiscal year after such 3-year accrual period; and

[(IV) eliminated if the designation as a troubled agency is not removed before the conclusion of the fourth fiscal year after such 3-year accrual period.

[(iv) After a determination by the Secretary that an agency is not a troubled agency, the Secretary shall provide the agency with amounts made available under this clause in accordance with the amount of credits accumulated by the agency (subject to the reductions under clause (iii)). Such amounts shall be provided in addition to the amounts allocated to the agency pursuant to the formula under paragraph (2). In each fiscal year, the Secretary shall reserve from amounts available for allocation under paragraph (2)(A) the amount necessary to provide assistance pursuant to such credits, except that the reserved amount may not exceed 5 percent of the total amount available for allocation under such paragraph.

[(v) In making payments for accrued credits in accordance with clause (iv), the Secretary may take into account the ability of the agency to expeditiously expend amounts received for credits.

[(E) The Secretary shall, by regulation, establish special rules for limiting the amount of assistance provided under this section to agencies that become troubled after the date of the initial designation of troubled agencies under section 6(j)(2)(A)(i). The rules may provide for a credit system based on the system established under this paragraph.

[(6) Any amounts (A) allocated under paragraph (4) that become available for reallocation because an agency does not qualify to receive all or a part of its formula allocation due to failure to comply with the requirements of this section (other than because of designation as a troubled agency), and (B) recaptured by the Secretary for good cause, shall (subject to approval in appropriations Acts) be reallocated by the Secretary in the next fiscal year to other housing agencies that own or operate 250 or more units, based on their relative needs. The relative needs of agencies shall be measured by the formula established pursuant to paragraph (2)(A).

[(7) A public housing agency may appeal the amount of its allocation determined under the formula on the basis of unique circumstances or on the basis that the objectively measurable data regarding the agency, community, and project characteristics used for determining the formula amount were not correct.

[(8) Amounts allocated to a public housing agency under paragraph (3) or (4) may be used for any eligible activity in accordance with this section, notwithstanding that the allocation amount is determined by allocating half based on relative backlog needs and half based on relative accrued needs of agencies.

[(l) The Secretary shall include in the annual report under section 8 of the Department of Housing and Urban Development Act—

[(1) a description of the allocation, distribution, and use of assistance under this section on a regional basis and on the basis of public housing agency size; and

[(2) a national compilation of the total funds requested in comprehensive plans for all public housing agencies owning or operating 250 or more public housing dwelling units.

[(m) Subject to subsection (k)(1), the Secretary may issue any regulations that are necessary to carry out this section.

[(n) LIMITATION.—The Secretary shall not make assistance under this section available with respect to a property transferred under title III.

[(o) Any amount that the Secretary has obligated to a public housing agency under this section other than pursuant to the program established under subsection (e), shall be used for the purposes for which such amount was provided, or for purposes consistent with an action plan submitted by the agency under subsection (e) and approved by the Secretary, as the agency determines to be appropriate.

[(p)(1) The Secretary shall require any public housing agency that has a vacancy rate among dwelling units owned or operated by the agency that exceeds twice the average vacancy rate among all agencies, that is designated as a troubled agency under section 6(j), or for which a receiver has been appointed pursuant to section 6(j)(3), to participate in the vacancy reduction program under this subsection.

[(2) Each public housing agency participating in the program under this subsection shall develop and submit to the Secretary a vacancy reduction plan regarding vacancies in units owned or operated by the agency. The plan shall include statements (A) identifying vacant dwelling units administered by the agency and explaining the reasons for the vacancies, (B) describing the actions to be taken by the agency during the following 5 years to eliminate the vacancies, (C) identifying any impediments that will prevent elimination of the vacancies within the 5-year period, (D) identifying any vacant units subject to comprehensive modernization, major reconstruction, demolition, and disposition activities that have been funded or approved, (E) identifying any vacant dwelling units that are eligible for comprehensive modernization, major reconstruction, demolition, or disposition but have not been funded or approved for such activities and are not likely to be funded or approved for at least 3 years and estimating the amount of assistance necessary to complete the comprehensive modernization, major reconstruction, demolition, or disposition of such units, (F) identifying any vacant units not identified under subparagraphs (E) and (F) and describing any appropriate activities relating to elimination of the vacancies in such units and estimating the amount of assistance necessary to carry out the activities, and (G) setting forth an agenda for implementation of management improvements (including, as appropriate, improvements recommended by the assessment team pursuant to paragraph (3)(C)) during the first fiscal year beginning after submission of the plan and including an estimate of the amount of assistance necessary to implement the improvements.

[(3)(A) Upon the expiration of the 24-month period beginning upon the receipt of assistance under paragraph (5) by a public housing agency, the Secretary shall, after reviewing the progress made in complying with the plan, reserve from the annual contribution attributable to each unit vacant for the 24-month period an amount determined by the Secretary but not exceeding 80 percent of such contribution. The Secretary may not reserve any

amounts under this subparagraph for any vacant dwelling unit that is vacant because of modernization, reconstruction, or lead-based paint reduction activities.

[(B) The Secretary shall deposit any amounts reserved under subparagraph (A) in a separate account established on behalf of the public housing agency, and such amounts shall be available to the agency only for the purpose of carrying out activities in compliance with the vacancy reduction plan of the agency.

[(C) If, after the expiration of the 24-month period beginning upon the reservation under subparagraph (A) of amounts for a public housing agency, the Secretary determines that the agency has not made significant progress to comply with the provisions of the vacancy reduction plan of the agency, the amount remaining in the account for the agency established under subparagraph (B) shall be recaptured by the Secretary.

[(4)(A) In cooperation with each agency participating in the program under this subsection, the Secretary shall provide for onsite assessment of the vacancy situation of the agency by a team of knowledgeable observers. The assessment team shall include representatives of the Department of Housing and Urban Development, an equal number of independent experts knowledgeable with respect to vacancy problems and management issues relating to public housing, and officials of the public housing agency, all of whom shall be selected by the Secretary. The assessment team shall assess the vacancy situation of the agency to determine the causes of the vacancies, including any management deficiencies or modernization activities.

[(B) The assessment team shall also examine indicators of the management performance of the agency relating to vacancy, which shall include consideration of the performance of the agency as measured by the indicators under subparagraphs (A) and (E) of section 6(j)(1).

[(C) The assessment team shall submit to the agency and the Secretary written recommendations for management improvements to eliminate or alleviate management deficiencies, and may assist the agency in preparing the vacancy reduction plan under paragraph (2), including determining appropriate actions to eliminate vacancies.

[(D) The Secretary may use amounts made available under paragraph (6) for any travel and administrative expenses of assessment teams under this paragraph.

[(5) The Secretary shall, subject to the availability of amounts under paragraph (6), provide assistance under this subsection to public housing agencies submitting vacancy reduction plans for reasonable costs of—

[(A) implementing management improvements;

[(B) rehabilitating vacant dwelling units identified in the statement under paragraph (2), except that the Secretary may provide assistance to a public housing agency designated as a troubled agency for the purposes under this subparagraph only if the Secretary determines that the agency is making substantial progress in remedying management deficiencies, if any, or that the agency has provided reasonable assurances that such progress will be made; and

[(C) carrying out vacancy reduction activities described in the statement under paragraph (2).

[(6)(A) Of any amounts available under this section in each of fiscal years 1993 and 1994 (after amounts are reserved pursuant to subsection (k)(1)), an amount equal to 4 percent of such remaining funds shall be available in each such fiscal year for the purposes under subparagraph (B).

[(B) Of such amounts available under subparagraph (A) in each such fiscal year—

[(i) 20 percent shall be available only for carrying out activities under section 6(j); and

[(ii) 80 percent shall be available for carrying out this subsection.

[(q)(1) Notwithstanding any other provision of law, a public housing agency may use modernization assistance provided under section 14 for any eligible activity related to public housing which is currently authorized by this Act or applicable appropriations Acts for a public housing agency, including the demolition of existing units, for replacement housing, modernization activities related to the public housing portion of housing developments held in partnership, or cooperation with non-public housing entities, and for temporary relocation assistance, provided that the assistance provided to the public housing agency under section 14 is principally used for the physical improvement or replacement of public housing and for associated management improvements, except as otherwise approved by the Secretary, and provided the public housing agency consults with the appropriate local government officials (or Indian tribal officials) and with tenants of the public housing developments. The public housing agency shall establish procedures for consultation with local government officials and tenants, and shall follow applicable regulatory procedures as determined by the Secretary.

[(2) The authorization provided under this subsection shall not extend to the use of public housing modernization assistance for public housing operating assistance.

[PAYMENT OF NONFEDERAL SHARE

[SEC. 15. Any of the following may be used as the non-Federal share required in connection with activities undertaken under Federal grant-in-aid programs which provide social, educational, employment, and other services to the tenants in a project assisted under this Act, other than under section 8:

[(1) annual contributions under this Act for operation of the project; or

[(2) rental or use-value of buildings or facilities paid for, in whole or in part, from development, modernization, or operation cost financed under this Act.

[INCOME ELIGIBILITY FOR ASSISTED HOUSING

[SEC. 16. (a) Not more than 25 per centum of the dwelling units which were available for occupancy under public housing annual contributions contracts and section 8 housing assistance payments contracts under this Act before the effective date of the Housing

and Community Development Amendments of 1981, and which will be leased on or after such effective date shall be available for leasing by low-income families other than very low-income families.

[(b)(1) Not more than 15 percent of the dwelling units which become available for occupancy under public housing contributions contracts and section 8 housing assistance payments contracts under this Act on or after the effective date of the Housing and Community Development Amendments of 1981[1] shall be available for leasing by low-income families other than very low-income families.

[(2) Not more than 25 percent of the dwelling units in any project of any agency shall be available for occupancy by low-income families other than very low-income families. The limitation shall not apply in the case of any project in which, before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act, such low-income families occupy more than 25 percent of the dwelling units.

[(c) In developing admission procedures implementing subsection (b), the Secretary may not totally prohibit admission of low-income families other than very low-income families and shall establish an appropriate specific percentage of low-income families other than very-low-income families that may be assisted in each assisted housing program that, when aggregated, will achieve the overall percentage limitation contained in subsection (b). In developing such admission procedures, the Secretary shall prohibit project owners from selecting families for residence in an order different from the order on the waiting list for the purpose of selecting relatively higher income families for residence; except that such prohibition shall not apply with respect to families selected for occupancy in public housing under the system of preferences established by the agency pursuant to section 6(c)(4)(A)(ii). The Secretary shall issue regulations to carry out this subsection not later than 60 days after the date of the enactment of the Housing and Community Development Act of 1987.

[(d)(1) The limitations established in subsection (b) shall not apply to dwelling units made available under section 8 housing assistance contracts for the purpose of preventing displacement, or ameliorating the effects of displacement, including displacement caused by rents exceeding 30 percent of monthly adjusted family income, of low-income families from projects being rehabilitated with assistance from rehabilitation grants under section 17 and the Secretary shall not otherwise unduly restrict the use of payments under section 8 housing assistance contracts for this purpose.

[(2) The limitations established in subsections (a) and (b) shall not apply to dwelling units assisted by Indian public housing agencies, to scattered site public housing dwelling units sold or intended to be sold to public housing tenants under section 5(h) of this title.

[DEMOLITION AND DISPOSITION OF PUBLIC HOUSING

[SEC. 18. (a) The Secretary may not approve an application by a public housing agency for permission, with or without financial assistance under this Act, to demolish or dispose of a public housing project or a portion of a public housing project unless the Secretary has determined that—

[(1) in the case of an application proposing demolition of a public housing project or a portion of a public housing project, the project or portion of the project is obsolete as to physical condition, location, or other factors, making it unusable for housing purposes, and no reasonable program of modifications is feasible to return the project or portion of the project to useful life; or in the case of an application proposing the demolition of only a portion of a project, the demolition will help to assure the useful life of the remaining portion of the project;

[(2) in the case of an application proposing disposition of real property of a public housing agency by sale or other transfer—

[(A)(i) the property's retention is not in the best interests of the tenants or the public housing agency because developmental changes in the area surrounding the project adversely affect the health or safety of the tenants or the feasible operation of the project by the public housing agency, because disposition allows the acquisition, development, or rehabilitation of other properties which will be more efficiently or effectively operated as low-income housing projects and which will preserve the total amount of low-income housing stock available in the community, or because of other factors which the Secretary determines are consistent with the best interests of the tenants and public housing agency and which are not inconsistent with other provisions of this Act; and

[(ii) for property other than dwelling units, the property is excess to the needs of a project or the disposition is incidental to, or does not interfere with, continued operation of a project; and

[(B) the net proceeds of the disposition will be used for (i) the payment of development cost for the project and for the retirement of outstanding obligations issued to finance original development or modernization of the project, which, in the case of scattered-site housing of a public housing agency, shall be in an amount that bears the same ratio to the total of such costs and obligations as the number of units disposed of bears to the total number of units of the project at the time of disposition, and (ii) to the extent that any proceeds remain after the application of proceeds in accordance with clause (i), the provision of housing assistance for low-income families through such measures as modernization of low-income housing, or the acquisition, development, or rehabilitation of other properties to operate as low-income housing; or

[(3) in the case of an application proposing demolition or disposition of any portion of a public housing project, assisted at any time under section 5(j)(2)—

[(A) such assistance has not been provided for the portion of the project to be demolished or disposed within the 10-year period ending upon submission of the application; or

[(B) the property's retention is not in the best interest of the tenants or the public housing agency because of ex-

traordinary changes in the area surrounding the project or other extraordinary circumstances of the project.

[(b) The Secretary may not approve an application or furnish assistance under this section or under this Act unless—

[(1) the application from the public housing agency has been developed in consultation with tenants and tenant councils, if any, who will be affected by the demolition or disposition, and the tenant councils, resident management corporation, and tenant cooperative of the project or portion of the project covered by the application, if any, have been given appropriate opportunities to purchase the project or portion of the project covered by the application, and contains a certification by appropriate local government officials that the proposed activity is consistent with the applicable housing assistance plan; and

[(2) all tenants to be displaced as a result of the demolition or disposition will be given assistance by the public housing agency and are relocated to other decent, safe, sanitary, and affordable housing, which is, to the maximum extent practicable, housing of their choice, including housing assisted under section 8 of this Act, and the public housing agency provides for the payment of the relocation expenses of each tenant to be displaced, ensures that the rent paid by the tenant following relocation will not exceed the amount permitted under this Act and shall not commence demolition or disposition of any unit until the tenant of the unit is relocated.

[(c) Notwithstanding any other provision of law, the Secretary is authorized to make available financial assistance for applications approved under this section using available contributions authorized under section 5.

[(d) A public housing agency shall not take any action to demolish or dispose of a public housing project or a portion of a public housing project without obtaining the approval of the Secretary and satisfying the conditions specified in subsections (a) and (b): *Provided,* That nothing in this section shall prevent a public housing agency from consolidating occupancy within or among buildings of a public housing project, or among projects, or with other housing for the purpose of improving the living conditions of or providing more efficient services to its tenants.

[(e)(1) In each of fiscal years 1993 and 1994, the Secretary may reserve from any budget authority appropriated for such year for assistance under section 8 that is available for families not currently receiving such assistance not more than 10 percent of such budget authority for providing replacement housing under subsection (b)(3)(A) for units demolished or disposed of pursuant to this section.

[(2) In each of fiscal years 1993 and 1994, the Secretary may reserve from any budget authority appropriated for such year for development of public housing under section 5(a)(2) not more than the lesser of 30 percent of such budget authorization or $150,000,000, for providing replacement housing under subsection (b)(3)(A) for units demolished or disposed of pursuant to this section.

[(f) Notwithstanding any other provision of law, replacement housing units for public housing units demolished may be built on

the original public housing site or in the same neighborhood if the number of such replacement units is significantly fewer than the number of units demolished.

[(g) The provisions of this section shall not apply to the disposition of a public housing project in accordance with an approved homeownership program under title III of this Act.

[FINANCING LIMITATIONS

[SEC. 19. On and after October 1, 1983, the Secretary—

[(1) may only enter into contracts for annual contributions regarding obligations financing public housing projects authorized by section 5(c) if such obligations are exempt from taxation under section 11(b), or if such obligations are issued under section 4 and such obligations are exempt from taxation; and

[(2) may not enter into contracts for periodic payments to the Federal Financing Bank to offset the costs to the Bank of purchasing obligations (as described in the first sentence of section 16(b) of the Federal Financing Bank Act of 1973) issued by local public housing agencies for purposes of financing public housing projects authorized by section 5(c) of this Act.

[PUBLIC HOUSING RESIDENT MANAGEMENT

[SEC. 20. (a) PURPOSE.—The purpose of this section is to encourage increased resident management of public housing projects, as a means of improving existing living conditions in public housing projects, by providing increased flexibility for public housing projects that are managed by residents by—

[(1) permitting the retention, and use for certain purposes, of any revenues exceeding operating and project costs; and

[(2) providing funding, from amounts otherwise available, for technical assistance to promote formation and development of resident management entities.

For purposes of this section, the term "public housing project" includes one or more contiguous buildings or an area of contiguous row houses the elected resident councils of which approve the establishment of a resident management corporation and otherwise meet the requirements of this section.

[(b) PROGRAM REQUIREMENTS.—

[(1) RESIDENT COUNCIL.—As a condition of entering into a resident management program, the elected resident council of a public housing project shall approve the establishment of a resident management corporation. When such approval is made by the elected resident council of a building or row house area, the resident management program shall not interfere with the rights of other families residing in the project or harm the efficient operation of the project. The resident management corporation and the resident council may be the same organization, if the organization complies with the requirements applicable to both the corporation and council. The corporation shall be a nonprofit corporation organized under the laws of the State in which the project is located, and the tenants of the project shall be the sole voting members of the corporation. If there is no elected resident council, a majority of the house-

holds of the public housing project shall approve the establishment of a resident council to determine the feasibility of establishing a resident management corporation to manage the project.

[(2) PUBLIC HOUSING MANAGEMENT SPECIALIST.—The resident council of a public housing project, in cooperation with the public housing agency, shall select a qualified public housing management specialist to assist in determining the feasibility of, and to help establish, a resident management corporation and to provide training and other duties agreed to in the daily operations of the project.

[(3) BONDING AND INSURANCE.—Before assuming any management responsibility for a public housing project, the resident management corporation shall provide fidelity bonding and insurance, or equivalent protection, in accordance with regulations and requirements of the Secretary and the public housing agency. Such bonding and insurance, or its equivalent, shall be adequate to protect the Secretary and the public housing agency against loss, theft, embezzlement, or fraudulent acts on the part of the resident management corporation or its employees.

[(4) MANAGEMENT RESPONSIBILITIES.—A resident management corporation that qualifies under this section, and that supplies insurance and bonding or equivalent protection sufficient to the Secretary and the public housing agency, shall enter into a contract with the public housing agency establishing the respective management rights and responsibilities of the corporation and the public housing agency. Such contract shall be consistent with the requirements of this Act applicable to public housing projects and may include specific terms governing management personnel and compensation, access to public housing project records, submission of and adherence to budgets, rent collection procedures, tenant income verification, tenant eligibility determinations, tenant eviction, the acquisition of supplies and materials and such other matters as may be appropriate. The contract shall be treated as a contracting out of services and shall be subject to any provision of a collective bargaining agreement regarding contracting out to which the public housing agency is subject.

[(5) ANNUAL AUDIT.—The books and records of a resident management corporation operating a public housing project shall be audited annually by a certified public accountant. A written report of each audit shall be forwarded to the public housing agency and the Secretary.

[(c) COMPREHENSIVE IMPROVEMENT ASSISTANCE.—Public housing projects managed by resident management corporations may be provided with comprehensive improvement assistance under section 14 for purposes of renovating such projects in accordance with such section. If such renovation activities (including the planning and architectural design of the rehabilitation) are administered by a resident management corporation, the public housing agency involved may not retain, for any administrative or other reason, any portion of the assistance provided pursuant to this subsection unless otherwise provided by contract.

[(d) WAIVER OF FEDERAL REQUIREMENTS.—

[(1) WAIVER OF REGULATORY REQUIREMENTS.—Upon the request of any resident management corporation and public housing agency, and after notice and an opportunity to comment is afforded to the affected tenants, the Secretary may waive (for both the resident management corporation and the public housing agency) any requirement established by the Secretary (and not specified in any statute) that the Secretary determines to unnecessarily increase the costs or restrict the income of a public housing project.

[(2) WAIVER TO PERMIT EMPLOYMENT.—Upon the request of any resident management corporation, the Secretary may, subject to applicable collective bargaining agreements, permit residents of such project to volunteer a portion of their labor.

[(3) REPORT ON ADDITIONAL WAIVERS.—Not later than 6 months after the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall submit to the Congress a report setting forth any additional waivers of Federal law that the Secretary determines are necessary or appropriate to carry out the provisions of this section. In preparing the report, the Secretary shall consult with resident management corporations and public housing agencies.

[(4) EXCEPTIONS.—The Secretary may not waive under this subsection any requirement with respect to income eligibility for purposes of section 16, rental payments under section 3(a), tenant or applicant protections, employee organizing rights, or rights of employees under collective bargaining agreements.

[(e) OPERATING SUBSIDY AND PROJECT INCOME.—

[(1) CALCULATION OF OPERATING SUBSIDY.—Notwithstanding any provision of section 9 or any regulation under such section, and subject to the exception provided in paragraph (3), the portion of the operating subsidy received by a public housing agency under section 9 that is allocated to a public housing project managed by a resident management corporation shall not be less than the public housing agency per unit monthly amount provided in the previous year as determined on an individual project basis.

[(2) CONTRACT REQUIREMENTS.—Any contract for management of a public housing project entered into by a public housing agency and a resident management corporation shall specify the amount of income expected to be derived from the project itself (from sources such as rents and charges) and the amount of income funds to be provided to the project from the other sources of income of the public housing agency (such as operating subsidy under section 9, interest income, administrative fees, and rents).

[(3) CALCULATION OF TOTAL INCOME.—

[(A) Subject to subparagraph (B), the amount of funds provided by a public housing agency to a public housing project managed by a resident management corporation may not be reduced during the 3-year period beginning on the date of enactment of the Housing and Community Development Act of 1987 or on any later date on which a

resident management corporation is first established for the project.

[(B) If the total income of a public housing agency (including the operating subsidy provided to the public housing agency under section 9) is reduced or increased, the income provided by the public housing agency to a public housing project managed by a resident management corporation shall be reduced or increased in proportion to the reduction or increase in the total income of the public housing agency, except that any reduction in operating subsidy that occurs as a result of fraud, waste, or mismanagement by the public housing agency shall not affect the funds provided to the resident management corporation.

[(4) RETENTION OF EXCESS REVENUES.—

[(A) Any income generated by a resident management corporation of a public housing project that exceeds the income estimated for purposes of this subsection shall be excluded in subsequent years in calculating (i) the operating subsidies provided to the public housing agency under section 9; and (ii) the funds provided by the public housing agency to the resident management corporation.

[(B) Any revenues retained by a resident management corporation under subparagraph (A) shall be used for purposes of improving the maintenance and operation of the public housing project, for establishing business enterprises that employ residents of public housing, or for acquiring additional dwelling units for low-income families.

[(f) RESIDENT MANAGEMENT TECHNICAL ASSISTANCE AND TRAINING.—

[(1) FINANCIAL ASSISTANCE.—To the extent budget authority is available for section 14, the Secretary shall provide financial assistance to resident management corporations or resident councils that obtain, by contract or otherwise, technical assistance for the development of resident management entities, including the formation of such entities, the development of the management capability of newly formed or existing entities, the identification of the social support needs of residents of public housing projects, and the securing of such support.

[(2) LIMITATION ON ASSISTANCE.—The financial assistance provided under this subsection with respect to any public housing project may not exceed $100,000.

[(3) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this subsection $4,750,000 for fiscal year 1993 and $4,949,500 for fiscal year 1994.

[(4) LIMITATION REGARDING ASSISTANCE UNDER HOPE GRANT PROGRAM.—The Secretary may not provide financial assistance under this subsection to any resident management corporation or resident council with respect to which assistance for the development or formation of such entity is provided under title III.

[(g) ASSESSMENT AND REPORT BY THE SECRETARY.—Not later than 3 years after the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall—

[(1) conduct an evaluation and assessment of resident management, and particularly of the effect of resident management on living conditions in public housing; and

[(2) submit to the Congress a report setting forth the findings of the Secretary as a result of the evaluation and assessment and including any recommendations the Secretary determines to be appropriate.

[(h) APPLICABILITY.—Any management contract between a public housing agency and a resident management corporation that is entered into after the date of the enactment of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 shall be subject to this section and the regulations issued to carry out this section.

[PUBLIC HOUSING HOMEOWNERSHIP AND MANAGEMENT OPPORTUNITIES

[SEC. 21. (a) HOMEOWNERSHIP OPPORTUNITIES IN GENERAL.—Lower income families residing in a public housing project shall be provided with the opportunity to purchase the dwelling units in the project through a qualifying resident management corporation as follows:

[(1) FORMATION OF RESIDENT MANAGEMENT CORPORATION.—As a condition for public housing homeownership—

[(A) the adult residents of a public housing project shall have formed a resident management corporation in accordance with regulations and requirements of the Secretary prescribed under this section and section 20;

[(B) the resident management corporation shall have entered into a contract with the public housing agency establishing the respective management rights and responsibilities of the resident management corporation and the public housing agency; and

[(C) the resident management corporation shall have demonstrated its ability to manage public housing effectively and efficiently for a period of not less than 3 years.

[(2) HOMEOWNERSHIP ASSISTANCE.—

[(A) The Secretary may provide comprehensive improvement assistance under section 14 to a public housing project in which homeownership activities under this section are conducted.

[(B) The Secretary may provide financial assistance to public housing agencies, resident management corporations, or resident councils that obtain, by contract or otherwise, training, technical assistance, and educational assistance as the Secretary determines to be necessary to promote homeownership opportunities under this section.

[(C) This paragraph shall not have effect after February 4, 1991. The Secretary may not provide financial assistance under subparagraph (B), after such date, unless the Secretary determines that such assistance is necessary for the development of a homeownership program that was initiated, as determined by the Secretary, before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act.

[(3) CONDITIONS OF PURCHASE BY A RESIDENT MANAGEMENT CORPORATION.—

[(A) A resident management corporation may purchase from a public housing agency one or more multifamily buildings in a public housing project following a determination by the Secretary that—

[(i) the resident management corporation has met the conditions of paragraph (1);

[(ii) the resident management corporation has applied for and is prepared to undertake the ownership, management, and maintenance of the building or buildings with continued assistance from the Secretary;

[(iii) the public housing agency has held one or more public hearings to obtain the views of citizens regarding the proposed purchase and, in consultation with the Secretary, has certified that the purchase will not interfere with the rights of other families residing in public housing, will not harm the efficient operation of other public housing, and is in the interest of the community;

[(iv) the public housing agency has certified that it has and will implement a plan to replace public housing units sold under this section within 30 months of the sale, which plan shall provide for replacement of 100 percent of the units sold under this section by—

[(I) production, acquisition, or rehabilitation of vacant public housing units by the public housing agency; and

[(II) acquisition by the resident management corporation of nonpublicly owned, decent, and affordable housing units, which the resident management corporation shall operate as rental housing subject to tenant income and rent limitations comparable to the limitations applicable to public housing; and

[(v) the building or buildings meet the minimum safety and livability standards applicable under section 14, and the physical condition, management, and operation of the building or buildings are sufficient to permit affordable homeownership by the families residing in the project.

[(B) The price of a building purchased under the preceding sentence shall be approved by the Secretary, in consultation with the public housing agency and resident management corporation, taking into account the fair market value of the property, the ability of resident families to afford and maintain the property, and such other factors as the Secretary determines to be consistent with increasing the supply of dwelling units affordable to very low income families.

[(C) This paragraph shall not have effect after February 4, 1991. The authority for a resident management corporation to purchase 1 or more multifamily buildings in a pub-

lic housing project from a public housing agency shall terminate after such date, unless the Secretary determines that such purchase is necessary for the development of a homeownership program that was initiated, as determined by the Secretary, before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act.

[(4) CONDITIONS OF RESALE.—

[(A)(i) A resident management corporation may sell a dwelling unit or ownership rights in a dwelling unit only to a lower income family residing in, or eligible to reside in, public housing and only if the Secretary determines that the purchase will not interfere with the rights of other families residing in the housing project or harm the efficient operation of the project, and the family will be able to purchase and maintain the property.

[(ii) The sale of dwelling units or ownership rights in dwelling units under clause (i) shall be made to families in the following order of priority:

[(I) a lower income family residing in the public housing project in which the dwelling unit is located;

[(II) a lower income family residing in any public housing project within the jurisdiction of the public housing agency having jurisdiction with respect to the project in which the dwelling unit is located;

[(III) a lower income family receiving Federal housing assistance and residing in the jurisdiction of such public housing agency; and

[(IV) a lower income family on the waiting list of such public housing agency for public housing or assistance under section 8, with priority given in the order in which the family appears on the waiting list.

[(iii) Each resident management corporation shall provide each family described in clause (ii) with a notice of the eligibility of the family to purchase a dwelling unit under this paragraph.

[(B) A purchase under subparagraph (A) may be made under any of the following arrangements:

[(i) Limited dividend cooperative ownership.

[(ii) Condominium ownership.

[(iii) Fee simple ownership.

[(iv) Shared appreciation with a public housing agency providing financing under paragraph (6).

[(v) Any other arrangement determined by the Secretary to be appropriate.

[(C) Property purchased under this section shall be resold only to the resident management corporation, a lower income family residing in or eligible to reside in public housing or housing assisted under section 8, or to the public housing agency.

[(D) In no case may the owner receive consideration for his or her interest in the property that exceeds the total of—

[(i) the contribution to equity paid by the owner;

[(ii) the value, as determined by such means as the Secretary shall determine through regulation, of any improvements installed at the expense of the owner during the owner's tenure as owner; and

[(iii) the appreciated value determined by an inflation allowance at a rate which may be based on a cost of living index, an income index, or market index as determined by the Secretary through regulation and agreed to by the purchaser and the resident management corporation or the public housing agency, whichever is appropriate, at the time of initial sale, and applied against the contribution to equity; the resident management corporation or the public housing agency may, at the time of initial sale, enter into an agreement with the owner to set a maximum amount which this appreciation may not exceed.

[(E) Upon sale, the resident management corporation or the public housing agency, whichever is appropriate, shall ensure that subsequent owners are bound by the same limitations on resale and further restrictions on equity appreciation.

[(5) USE OF PROCEEDS.—Notwithstanding any other provision of this Act or other law to the contrary, proceeds from the sale of a building or buildings under paragraph (3) and amounts recaptured under paragraph (4) shall be paid to the public housing agency and shall be retained and used by the public housing agency only to increase the number of public housing units available for occupancy. The resident management corporation shall keep and make available to the public housing agency and the Secretary all records necessary to calculate accurately payments due the local housing agency under this section. The Secretary shall not reduce or delay payments under other provisions of law as a result of amounts made available to the local housing agency under this section.

[(6) FINANCING.—When financing for the purchase of the property is not otherwise available for purposes of assisting any purchase by a family or resident management corporation under this section, the public housing agency involved may make a loan on the security of the property involved to the family or resident management corporation at a rate of interest that shall not be lower than 70 percent of the market interest rate for conventional mortgages on the date on which the loan is made.

[(7) ANNUAL CONTRIBUTIONS.—Notwithstanding the purchase of a building in a public housing project under this section, the Secretary shall continue to pay annual contributions with respect to the project. Such contributions may not exceed the maximum contributions authorized in section 5(a).

[(8) OPERATING SUBSIDIES.—Operating subsidies shall not be available with respect to a building after the date of its sale by the public housing agency.

[(b) PROTECTION OF NONPURCHASING FAMILIES.—

[(1) EVICTION PROHIBITION.—No family residing in a dwelling unit in a public housing project may be evicted by reason

of the sale of the project to a resident management corporation under this section.

[(2) TENANTS' RIGHTS.—Families renting a dwelling unit purchased by a resident management corporation shall have all rights provided to tenants of public housing under this Act.

[(3) RENTAL ASSISTANCE.—If any family resides in a dwelling unit in a building purchased by a resident management corporation, and the family decides not to purchase the dwelling unit, the Secretary shall offer to provide to the family (at the option of the family) a certificate under section 8(b)(1) or a housing voucher under section 8(o) for as long as the family continues to reside in the building. The Secretary may adjust the fair market rent for such certificate to take into account conditions under which the building was purchased.

[(4) RENTAL AND RELOCATION ASSISTANCE.—If any family resides in a dwelling unit in a public housing project in which other dwelling units are purchased under this section, and the family decides not to purchase the dwelling unit, the Secretary shall offer (to be selected by the family, at its option)—

[(A) to assist the family in relocating to a comparable appropriate sized dwelling unit in another public housing project, and to reimburse the family for their cost of relocation; and

[(B) to provide to the family the financial assistance necessary to permit the family to stay in the dwelling unit or to move to another comparable dwelling unit and to pay no more for rent than required under subparagraph (A), (B), or (C) of section 3(a)(1).

[(c) FINANCIAL ASSISTANCE FOR PUBLIC HOUSING AGENCIES.—The Secretary shall provide to public housing agencies such financial assistance as is necessary to permit such agencies to carry out the provisions of this section.

[(d) ADDITIONAL HOMEOWNERSHIP AND MANAGEMENT OPPORTUNITIES.—This section shall not apply to the turnkey III, the mutual help, or any other homeownership program established under section 5(h) or section 6(c)(4)(D) and in existence before the date of the enactment of the Housing and Community Development Act of 1987.

[(e) REGULATIONS.—The Secretary shall issue such regulations as may be necessary to carry out the provisions of this section. Such regulations may establish any additional terms and conditions for homeownership or resident management under this section that are determined by the Secretary to be appropriate.

[(f) ANNUAL REPORT.—The Secretary shall annually submit to the Congress a report setting forth—

[(1) the number, type, and cost of units sold;

[(2) the income, race, gender, children, and other characteristics of families purchasing or moving and not purchasing;

[(3) the amount and type of financial assistance provided;

[(4) the need for subsidy to ensure continued affordability and meet future maintenance and repair costs;

[(5) any need for the development of additional public housing dwelling units as a result of the sale of public housing dwelling units under this section;

[(6) recommendations of the Secretary for additional budget authority to carry out such development;

[(7) recommendations of the Secretary to ensure decent homes and decent neighborhoods for low-income families; and

[(8) the recommendations of the Secretary for statutory and regulatory improvements to the program.

[(g) LIMITATION.—Any authority of the Secretary under this section to provide financial assistance, or to enter into contracts to provide financial assistance, shall be effective only to such extent or in such amounts as are or have been provided in advance in an appropriation Act.

[FAMILY INVESTMENT CENTERS

[SEC. 22. (a) PURPOSE.—The purpose of this section is to provide families living in public housing with better access to educational and employment opportunities to achieve self-sufficiency and independence by—

[(1) developing facilities in or near public housing for training and support services;

[(2) mobilizing public and private resources to expand and improve the delivery of such services;

[(3) providing funding for such essential training and support services that cannot otherwise be funded; and

[(4) improving the capacity of management to assess the training and service needs of families with children, coordinate the provision of training and services that meet such needs, and ensure the long-term provision of such training and services.

[(b) GRANT AUTHORITY.—

[(1) IN GENERAL.—The Secretary may make grants to public housing agencies to adapt public housing to help families living in the public housing gain better access to educational and job opportunities to achieve self-sufficiency and independence. Assistance under this section may be made available only to public housing agencies that demonstrate to the satisfaction of the Secretary that supportive services (as such term is defined under subsection (j)) will be made available. Facilities assisted under this section shall be in or near the premises of public housing.

[(2) SUPPLEMENTAL GRANT SET-ASIDE.—The Secretary may reserve not more than 5 percent of the amounts available in each fiscal year under this section to supplement grants awarded to public housing agencies under this section when, in the determination of the Secretary, such supplemental adjustments are required to maintain adequate levels of services to eligible residents.

[(c) USE OF AMOUNTS.—Amounts received from a grant under this section may only be used for—

[(1) the renovation, conversion, or combination of vacant dwelling units in a public housing project to create common areas to accommodate the provision of supportive services;

[(2) the renovation of existing common areas in a public housing project to accommodate the provision of supportive services;

[(3) the renovation of facilities located near the premises of 1 or more public housing projects to accommodate the provision of supportive services;

[(4) the provision of not more than 15 percent of the cost of any supportive services (which may be provided directly to eligible residents by the public housing agency or by contract or lease through other appropriate agencies or providers) only if the public housing agency demonstrates to the satisfaction of the Secretary that—

[(A) the supportive services are appropriate to improve the access of eligible residents to employment and educational opportunities; and

[(B) the public housing agency has made diligent efforts to use or obtain other available resources to fund or provide such services; and

[(5) the employment of service coordinators subject to such minimum qualifications and standards that the Secretary may establish to ensure sound management, who may be responsible for—

[(A) assessing the training and service needs of eligible residents;

[(B) working with service providers to coordinate the provision of services and tailor such services to the needs and characteristics of eligible residents;

[(C) mobilizing public and private resources to ensure that the supportive services identified pursuant to subsection (e)(1) can be funded over the time period identified under such subsection;

[(B) monitoring and evaluating the impact and effectiveness of any supportive service program receiving capital or operating assistance under this section; and

[(V) performing such other duties and functions that the Secretary determines are appropriate to provide families living in public housing with better access to educational and employment opportunities.

[(d) ALLOCATION OF GRANT AMOUNTS.—Assistance under this section shall be allocated by the Secretary among approvable applications submitted by public housing agencies.

[(e) APPLICATIONS.—Applications for assistance under this section shall be submitted in such form and in accordance with such procedures as the Secretary shall establish. Each application for assistance shall contain—

[(1) a description of the supportive services that are to be provided over a 5-year period (or such longer period that the Secretary determines to be appropriate if assistance is provided for activities under subsection (c) that involve substantial rehabilitation);

[(2) a firm commitment of assistance from 1 or more sources ensuring that the supportive services will be provided for not less than 1 year following the completion of activities assisted under subsection (c);

[(3) a description of public or private sources of assistance that can reasonably be expected to fund or provide supportive services for the entire period specified under paragraph (1), in-

cluding evidence of any intention to provide assistance expressed by State and local governments, private foundations, and other organizations (including profit and nonprofit organizations);

[(4) certification from the appropriate State or local agency (as determined by the Secretary) that—

[(A) the provision of supportive services described in paragraph (1) is well designed to provide resident families better access to educational and employment opportunities; and

[(B) there is a reasonable likelihood that such services will be funded or provided for the entire period specified in paragraph (1);

[(5) a description of assistance for which the public housing agency is applying under this section; and

[(6) any other information or certifications that the Secretary determines are necessary or appropriate to achieve the purposes of this section.

[(f) SELECTION.—The Secretary shall establish selection criteria for grants under this section, which shall take into account—

[(1) the ability of the public housing agency or a designated service provider to provide the supportive services identified under subsection (e)(1);

[(2) the need for such services in the public housing project;

[(3) the extent to which the envisioned renovation, conversion, and combination activities are appropriate to facilitate the provision of such services;

[(4) the extent to which the public housing agency has demonstrated that such services will be provided for the period identified under subsection (e)(1);

[(5) the extent to which the public housing agency has a good record of maintaining and operating public housing; and

[(6) any other factors that the Secretary determines to be appropriate to ensure that amounts made available under this section are used effectively.

[(g) REPORTS.—

[(1) TO SECRETARY.—Each public housing agency receiving a grant under this section shall submit to the Secretary, in such form and at such time as the Secretary shall prescribe, an annual progress report describing and evaluating the use of grant amounts received under this section.

[(2) TO CONGRESS.—The Secretary shall submit to the Congress annually, as a part of the report of the Secretary under section 8 of the Department of Housing and Urban Development Act, an evaluation of the effectiveness of activities carried out with grants under this section in such fiscal year. Such report shall summarize the progress reports submitted pursuant to paragraph (1).

[(h) EMPLOYMENT OF PUBLIC HOUSING RESIDENTS.—Each public housing agency shall, to the maximum extent practicable, employ public housing residents to provide the services assisted under this section or from other sources. Such persons shall be paid at a rate not less than the highest of—

[(1) the minimum wage that would be applicable to the employee under the Fair Labor Standards Act of 1938, if section 6(a)(1) of such Act applied to the resident and if the resident were not exempt under section 13 of such Act;

[(2) the State or local minimum wage for the most nearly comparable covered employment; or

[(3) the prevailing rates of pay for persons employed in similar public occupations by the same employer.

[(i) TREATMENT OF INCOME.—No service provided to a public housing resident under this section may be treated as income for the purpose of any other program or provision of State or Federal law.

[(j) DEFINITION OF SUPPORTIVE SERVICES.—For purpose of this section, the term ''supportive services'' means new or significantly expanded services that the Secretary determines are essential to providing families living with children in public housing with better access to educational and employment opportunities. Such services may include—

[(1) child care;

[(2) employment training and counseling;

[(3) literacy training;

[(4) computer skills training;

[(5) assistance in the attainment of certificates of high school equivalency; and

[(6) other appropriate services.

[(k) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $25,000,000 for fiscal year 1993 and $26,050,000 for fiscal year 1994.

[SEC. 23. FAMILY SELF-SUFFICIENCY PROGRAM.

[(a) PURPOSE.—The purpose of the Family Self-Sufficiency program established under this section is to promote the development of local strategies to coordinate use of public housing and assistance under the certificate and voucher programs under section 8 with public and private resources, to enable eligible families to achieve economic independence and self-sufficiency.

[(b) ESTABLISHMENT OF PROGRAM.—

[(1) REQUIRED PROGRAMS.—Except as provided in paragraph (2), the Secretary shall carry out a program under which each public housing agency that administers assistance under subsection (b) or (o) of section 8 or makes available new public housing dwelling units—

[(A) may, during fiscal years 1991 and 1992, carry out a local Family Self-Sufficiency program under this section; and

[(B) effective on October 1, 1992, the Secretary shall require each such agency to carry out a local Family Self-Sufficiency program under this section.

Each local program shall, subject to availability of supportive services, include an action plan under subsection (g) and shall provide comprehensive supportive services for families electing to participate in the program. In carrying out the self-sufficiency program under this section, the Secretary shall consult with the heads of other appropriate Federal agencies and provide for cooperative actions and funding agreements with such

agencies. Each public housing agency administering an approved local program may employ a service coordinator to administer the local program.

[(2) EXCEPTION.—The Secretary shall not require a public housing agency to carry out a local program under subsection (a) if the public housing agency provides certification (as such term is defined under title I of the Cranston-Gonzalez National Affordable Housing Act) to the Secretary, that the establishment and operation of the program is not feasible because of local circumstances, which may include—

[(A) lack of supportive services accessible to eligible families, which shall include insufficient availability of resources for programs under the Job Training Partnerships Act or the Job Opportunities and Basic Skills Training Program under part F of title IV of the Social Security Act;

[(B) lack of funding for reasonable administrative costs;

[(C) lack of cooperation by other units of State or local government; or

[(D) any other circumstances that the Secretary may consider appropriate.

In allocating assistance available for reservation under this Act, the Secretary may not refuse to provide assistance or decrease the amount of assistance that would otherwise be provided to any public housing agency because the agency has provided a certification under this paragraph or because, pursuant to a certification, the agency has failed to carry out a self-sufficiency program.

[(3) SCOPE.—Each public housing agency required to carry out a local program under this section shall make the following housing assistance available under the program in each fiscal year:

[(A) Certificate and voucher assistance under section 8(b) and (o), in an amount equivalent to the increase for such year in the number of families so assisted by the agency (as compared to the preceding year).

[(B) Public housing dwelling units, in the number equal to the increase for such year in units made available by the agency (as compared to the preceding year).

[Each such public housing agency shall continue to operate a local program for the number of families determined under this paragraph subject only to the availability under appropriations Acts of sufficient amounts for assistance.

[(4) NONPARTICIPATION.—Assistance under the certificate or voucher programs under section 8 for a family that elects not to participate in a local program shall not be delayed by reason of such election.

[(c) CONTRACT OF PARTICIPATION.—

[(1) IN GENERAL.—Each public housing agency carrying out a local program under this section shall enter into a contract with each leaseholder receiving assistance under the certificate and voucher programs of the public housing agency under section 8 or residing in public housing administered by the agency, that elects to participate in the self-sufficiency program under this section. The contract shall set forth the provisions

of the local program, shall establish specific interim and final goals by which compliance with and performance of the contract may be measured, and shall specify the resources and supportive services to be made available to the participating family pursuant to paragraph (2) and the responsibilities of the participating family. The contract shall provide that the public housing agency may terminate or withhold assistance under section 8 and services under paragraph (2) of this subsection if the public housing agency determines, through an administrative grievance procedure in accordance with the requirements of section 6(k), that the family has failed to comply with the requirements of the contract without good cause (which may include a loss or reduction in access to supportive services, or a change in circumstances that makes the family or individual unsuitable for participation).

[(2) SUPPORTIVE SERVICES.—A local program under this section shall provide appropriate supportive services under this paragraph to each participating family entering into a contract of participation under paragraph (1). The supportive services shall be provided during the period the family is receiving assistance under section 8 or residing in public housing, and may include—

[(A) child care;
[(B) transportation necessary to receive services;
[(C) remedial education;
[(D) education for completion of high school;
[(E) job training and preparation;
[(F) substance abuse treatment and counseling;
[(G) training in homemaking and parenting skills;
[(H) training in money management;
[(I) training in household management; and
[(J) any other services and resources appropriate to assist eligible families to achieve economic independence and self-sufficiency.

[(3) TERM AND EXTENSION.—Each family participating in a local program shall be required to fulfill its obligations under the contract of participation not later than 5 years after entering into the contract. The public housing agency shall extend the term of the contract for any family that requests an extension, upon a finding of the agency of good cause.

[(4) EMPLOYMENT AND COUNSELING.—The contract of participation shall require the head of the participating family to seek suitable employment during the term of the contract. The public housing agency may, during such period, provide counseling for the family with respect to affordable rental and homeownership opportunities in the private housing market and money management counseling.

[(d) INCENTIVES FOR PARTICIPATION.—

[(1) MAXIMUM RENTS.—During the term of the contract of participation, the amount of rent paid by any participating family whose monthly adjusted income does not exceed 50 percent of the area median income for occupancy in the public housing unit or dwelling unit assisted under section 8 may not be increased on the basis of any increase in the earned income

of the family, unless the increase results in an income exceeding 50 percent of the area median income. The Secretary shall provide for increased rents for participating families whose incomes are between 50 and 80 percent of the area median income, so that any family whose income increases to 80 percent or more of the area median income pays 30 percent of the family's monthly adjusted income for rent. Upon completion of the contract of participation, if the participating family continues to qualify for and reside in a dwelling unit in public housing or housing assisted under section 8, the rent charged the participating family shall be increased (if applicable) to 30 percent of the monthly adjusted income of the family.

[(2) ESCROW SAVINGS ACCOUNTS.—For each participating family whose monthly adjusted income is less than 50 percent of the area median income, the difference between 30 percent of the adjusted income of the participating family and the amount of rent paid by a participating family shall be placed in an interest-bearing escrow account established by the public housing agency on behalf of the participating family. For families with incomes between 50 and 80 percent of the area median income, the Secretary shall provide for escrow of the difference between 30 percent of the family income and the amount paid by the family for rent as determined by the Secretary under paragraph (1). The Secretary shall not escrow any amounts for any family whose adjusted income exceeds 80 percent of the area median income. Amounts in the escrow account may be withdrawn by the participating family after the family ceases to receive income assistance under Federal or State welfare programs, upon successful performance of the obligations of the family under the contract of participation entered into by the family under subsection (c), as determined according to the specific goals and terms included in the contract, and under other circumstances in which the Secretary determines an exception for good cause is warranted. A public housing agency establishing such escrow accounts may make certain amounts in the accounts available to the participating families before full performance of the contract obligations based on compliance with, and completion of, specific interim goals included in the contract; except that any such amounts shall be used by the participating families for purposes consistent with the contracts of participation, as determined by the public housing agency.

[(3) PLAN.—Each public housing agency carrying out a local program under this section shall establish a plan to offer incentives to families to encourage families to participate in the program. The plan shall require the establishment of escrow savings accounts under paragraph (2) and may include any other incentives designed by the public housing agency.

[(3) USE OF ESCROW SAVINGS ACCOUNTS FOR SECTION 8 HOMEOWNERSHIP.—Notwithstanding paragraph (3), a family that uses assistance under section 8(y) to purchase a dwelling may use up to 50 percent of the amount in its escrow account established under paragraph (3) for a downpayment on the dwelling. In addition, after the family purchases the dwelling,

the family may use any amounts remaining in the escrow account to cover the costs of major repair and replacement needs of the dwelling. If a family defaults in connection with the loan to purchase a dwelling and the mortgage is foreclosed, the remaining amounts in the escrow account shall be recaptured by the Secretary.

[(e) EFFECT OF INCREASES IN FAMILY INCOME.—Any increase in the earned income of a family during the participation of the family in a local program established under this section may not be considered as income or a resource for purposes of eligibility of the family for other benefits, or amount of benefits payable to the family, under any program administered by the Secretary, unless the income of the family equals or exceeds 80 percent of the median income of the area (as determined by the Secretary with adjustments for smaller and larger families).

[(f) PROGRAM COORDINATING COMMITTEE.—

[(1) FUNCTIONS.—Each public housing agency shall, in consultation with the chief executive officer of the unit of general local government, develop an action plan under subsection (g), carry out activities under the local program, and secure commitments of public and private resources through a program coordinating committee established by the public housing agency under this subsection.

[(2) MEMBERSHIP.—The program coordinating committee may consist of representatives of the public housing agency, the unit of general local government, the local agencies (if any) responsible for carrying out programs under the Job Training Partnership Act and the Job Opportunities and Basic Skills Training Program under part F of title IV of the Social Security Act, and other organizations, such as other State and local welfare and employment agencies, public and private education or training institutions, nonprofit service providers, and private businesses. The public housing agency may, in consultation with the chief executive officer of the unit of general local government, utilize an existing entity as the program coordinating committee if it meets the requirements of this subsection.

[(g) ACTION PLAN.—

[(1) REQUIRED SUBMISSION.—The Secretary shall require each public housing agency participating in the self-sufficiency program under this section to submit to the Secretary, for approval by the Secretary, an action plan under this subsection in such form and in accordance with such procedures as the Secretary shall require.

[(2) DEVELOPMENT OF PLAN.—In developing the plan, the public housing agency shall consult with the chief executive officer of the applicable unit of general local government, the program coordinating committee established under subsection (f), representatives of residents of the public housing, any local agencies responsible for programs under the Job Training Partnership Act and the Job Opportunities and Basic Skills Training Program under part F of title IV of the Social Security Act, other appropriate organizations (such as other State and local welfare and employment or training institutions, child care

providers, nonprofit service providers, and private businesses), and any other public and private service providers affected by the operation of the local program.

[(3) CONTENTS OF PLAN.—The Secretary shall require that the action plan contain at a minimum—

[(A) a description of the size, characteristics, and needs of the population of the families expected to participate in the local self-sufficiency program;

[(B) a description of the number of eligible participating families who can reasonably be expected to receive supportive services under the program, based on available and anticipated Federal, State, local, and private resources;

[(C) a description of the services and activities under subsection (c)(2) to be provided to families receiving assistance under this section through the section 8 and public housing programs, which shall be provided by both public and private resources;

[(D) a description of the incentives pursuant to subsection (d) offered by the public housing agency to families to encourage participation in the program;

[(E) a description of how the local program will deliver services and activities according to the needs of the families participating in the program;

[(F) a description of both the public and private resources that are expected to be made available to provide the activities and services under the local program;

[(G) a timetable for implementation of the local program;

[(H) assurances satisfactory to the Secretary that development of the services and activities under the local program has been coordinated with the Job Opportunities and Basic Skills Training Program under part F of title IV of the Social Security Act and program under the Job Training Partnership Act and any other relevant employment, child care, transportation, training, and education programs in the applicable area, and that implementation will continue to be coordinated, in order to avoid duplication of services and activities; and

[(I) assurances satisfactory to the Secretary that nonparticipating families will retain their rights to public housing or section 8 assistance notwithstanding the provisions of this section.

[(h) ALLOWABLE PUBLIC HOUSING AGENCY ADMINISTRATIVE FEES AND COSTS.—

[(1) SECTION 8 FEES.—The Secretary shall establish a fee under section 8(q) for the costs incurred in administering the provision of certificate and voucher assistance under section 8 through the self-sufficiency program under this section. The fee shall be the fee in effect under such section on June 1, 1990, except that for purposes of the fee under this paragraph the applicable dollar amount for preliminary expenses under section 8(q)(2)(A)(i) shall, subject to approval in appropriations Acts, be $300. Upon the submission by the Comptroller General of the United States of the report required under section

554(b) of the Cranston-Gonzalez National Affordable Housing Act, the Secretary shall revise the fee under this paragraph, taking into consideration the report of the Comptroller General.

[(2) PERFORMANCE FUNDING SYSTEM.—Notwithstanding any provision of section 9, the Secretary shall provide for inclusion under the performance funding system under section 9 of reasonable and eligible administrative costs (including the costs of employing a full-time service coordinator) incurred by public housing agencies carrying out local programs under this section. The Secretary shall include an estimate of the administrative costs likely to be incurred by participating public housing agencies in the annual budget request for the Department of Housing and Urban Development for public housing operating assistance under section 9 and shall include a request for such amounts in the budget request. Of any amounts appropriated under section 9(c) for fiscal year 1993, $25,000,000 is authorized to be used for costs under this paragraph, and of any amounts appropriated under such section for fiscal year 1994, $25,900,000 is authorized to be used for costs under this paragraph.

[(i) PUBLIC HOUSING AGENCY INCENTIVE AWARD ALLOCATION.—

[(1) IN GENERAL.—The Secretary shall carry out a competition for budget authority for certificate and voucher assistance under section 8 and public housing development assistance under section 5(a)(2) reserved under paragraph (4) and shall allocate such budget authority to public housing agencies pursuant to the competition.

[(2) CRITERIA.—The competition shall be based on successful and outstanding implementation by public housing agencies of a local self-sufficiency program under this section. The Secretary shall establish performance criteria for public housing agencies carrying out such local programs and the Secretary shall cause such criteria to be published in the Federal Register.

[(3) USE.—Each public housing agency that receives an allocation of budget authority under this subsection shall use such authority to provide assistance under the local self-sufficiency program established by the public housing agency under this section.

[(4) RESERVATION OF BUDGET AUTHORITY.—Notwithstanding section 213(d) of the Housing and Community Development Act of 1974, the Secretary shall reserve for allocation under this subsection not less than 10 percent of the portion of budget authority appropriated in each of fiscal years 1991 and 1992 for section 8 that is available for purposes of providing assistance under the existing housing certificate and housing voucher programs for families not currently receiving assistance, and not less than 10 percent of the public housing development assistance available in such fiscal years for the purpose under section 5(a)(2) (excluding amounts for major reconstruction of obsolete projects).

[(j) ON-SITE FACILITIES.—Each public housing agency carrying out a local program may, subject to the approval of the Secretary,

make available and utilize common areas or unoccupied public housing units in public housing projects administered by the agency for the provision of supportive services under the local program. The use of the facilities of a public housing agency under this subsection shall not affect the amount of assistance provided to the agency under section 9.

[(k) FLEXIBILITY.—In establishing and carrying out the self-sufficiency program under this section, the Secretary shall allow public housing agencies, units of general local government, and other organizations discretion and flexibility, to the extent practicable, in developing and carrying out local programs.

[(l) REPORTS.—

[(1) TO SECRETARY.—Each public housing agency that carries out a local self-sufficiency program approved by the Secretary under this section shall submit to the Secretary, not less than annually a report regarding the program. The report shall include—

[(A) a description of the activities carried out under the program;

[(B) a description of the effectiveness of the program in assisting families to achieve economic independence and self-sufficiency;

[(C) a description of the effectiveness of the program in coordinating resources of communities to assist families to achieve economic independence and self-sufficiency; and

[(D) any recommendations of the public housing agency or the appropriate local program coordinating committee for legislative or administrative action that would improve the self-sufficiency program carried out by the Secretary and ensure the effectiveness of the program.

[(2) HUD ANNUAL REPORT.—The Secretary shall submit to the Congress annually, as a part of the report of the Secretary under section 8 of the Department of Housing and Urban Development Act, a report summarizing the information submitted by public housing agencies under paragraph (1). The report under this paragraph shall also include any recommendations of the Secretary for improving the effectiveness of the self-sufficiency program under this section.

[(m) GAO REPORT.—

[(1) IN GENERAL.—The Comptroller General of the United States shall submit to the Congress reports under this subsection evaluating and describing the Family Self-Sufficiency program carried out by the Secretary under this section.

[(2) TIMING.—The Comptroller General shall submit the following reports under this subsection:

[(A) An interim report, not later than the expiration of the 2-year period beginning on the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act.

[(B) A final report, not later than the expiration of the 5-year period beginning on the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act.

[(n) DEFINITIONS.—As used in this section:

[(1) The term "contract of participation" means a contract under subsection (c) entered into by a public housing agency

carrying out a local program under this section and a participating family.

[(2) The term "earned income" means income from wages, tips, salaries, and other employee compensation, and any earnings from self-employment. The term does not include any pension or annuity, transfer payments, or any cash or in-kind benefits.

[(3) The term "eligible family" means a family whose head of household is not elderly, disabled, pregnant, a primary caregiver for children under the age of 3, or for whom the family self-sufficiency program would otherwise be unsuitable. Notwithstanding the preceding sentence, a public housing agency may enroll such families if they choose to participate in the program.

[(4) The term "local program" means a program for providing supportive services to participating families carried out by a public housing agency within the jurisdiction of the public housing agency.

[(5) The term "participating family" means a family that resides in public housing or housing assisted under section 8 and elects to participate in a local self-sufficiency program under this section.

[(6) The term "vacant unit" means a dwelling unit that has been vacant for not less than 9 consecutive months.

[(o) EFFECTIVE DATE AND REGULATIONS.—

[(1) REGULATIONS.—Not later than the expiration of the 180-day period beginning on the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act,[1] the Secretary shall by notice establish any requirements necessary to carry out this section. Such requirements shall be subject to section 553 of title 5, United States Code. The Secretary shall issue final regulations based on the notice not later than the expiration of the 8-month period beginning on the date of the notice. Such regulations shall become effective upon the expiration of the 1-year period beginning on the date of the publication of the final regulations.

[(2) APPLICABILITY TO INDIAN PUBLIC HOUSING AUTHORITIES.—Notwithstanding any other provision of law, the provisions of this section shall be optional for Indian housing authorities.

[SEC. 24. REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING.

[(a) PROGRAM AUTHORITY.—The Secretary may make—

[(1) planning grants under subsection (c) to enable applicants to develop revitalization programs for severely distressed public housing in accordance with this section; and

[(2) implementation grants under subsection (d) to carry out revitalization programs for severely distressed public housing in accordance with this section.

[(b) DESIGNATION OF ELIGIBLE PROJECTS.—

[(1) IDENTIFICATION.—Not later than 90 days after the date of enactment of the Housing and Community Development Act of 1992, public housing agencies shall identify, in such form and manner as the Secretary may prescribe, any public hous-

ing projects that they consider to be severely distressed public housing for purposes of receiving assistance under this section.

[(2) REVIEW BY SECRETARY.—The Secretary shall review the projects identified pursuant to paragraph (1) to ascertain whether the projects are severely distressed housing (as such item is defined in subsection (h)). Not later than 180 days after the date of enactment of this section, the Secretary shall publish a list of those projects that the Secretary determines are severely distressed public housing.

[(3) APPEAL OF SECRETARY'S DETERMINATION.—The Secretary shall establish procedures for public housing agencies to appeal the Secretary's determination that a project identified by a public housing agency is not severely distressed.

[(c) PLANNING GRANTS.—

[(1) IN GENERAL.—The Secretary may make planning grants under this subsection to applicants for the purpose of developing revitalization programs for severely distressed public housing under this section.

[(2) AMOUNT.—The amount of a planning grant under this subsection may not exceed $200,000 per project, except that the Secretary may for good cause approve a grant in a higher amount.

[(3) ELIGIBLE ACTIVITIES.—A planning grant may be used for activities to develop revitalization programs for severely distressed public housing, including—

[(A) studies of the different options for revitalization, including the feasibility, costs and neighborhood impact of such options;

[(B) providing technical or organizational support to ensure resident involvement in all phases of the planning and implementation processes;

[(C) improvements to stabilize the development, including security investments;

[(D) conducting workshops to ascertain the attitudes and concerns of the neighboring community;

[(E) preliminary architectural and engineering work;

[(F) planning for economic development, job training and self-sufficiency activities that promote the economic self-sufficiency of residents under the revitalization program;

[(G) designing a suitable replacement housing plan, in situations where partial or total demolition is considered;

[(H) planning for necessary management improvements; and

[(I) preparation of an application for an implementation grant under this section.

[(4) APPLICATIONS.—An application for a planning grant shall be submitted in such form and in accordance with such procedures as the Secretary shall establish. The Secretary shall require that an application contain at a minimum—

[(A) a request for a planning grant, specifying the activities proposed, the schedule for completing the activities, the personnel necessary to complete the activities and the amount of the grant requested;

[(B) a description of the applicant and a statement of its qualifications;

[(C) identification and description of the project involved, and a description of the composition of the tenants, including family size and income;

[(D) a certification by the public official responsible for submitting the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act that the proposed activities are consistent with the approved housing strategy of the State or unit of general local government within which the project is located; and

[(E) a certification that the applicant will comply with the requirements of the Fair Housing Act, title VI of the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, and will affirmatively further fair housing.

[(5) SELECTION CRITERIA.—The Secretary shall, by regulation, establish selection criteria for a national competition for assistance under this subsection, which shall include—

[(A) the qualities or potential capabilities of the applicant;

[(B) the extent of resident interest and involvement in the development of a revitalization program for the project;

[(C) the extent of involvement of local public and private entities in the development of a revitalization program for the project and in the provision of supportive services to project residents;

[(D) the potential of the applicant for developing a successful and affordable revitalization program and the suitability of the project for such a program;

[(E) national geographic diversity among housing for which applicants are selected to receive assistance;

[(F) the extent of the need for and potential impact of the revitalization program; and

[(G) such other factors that the Secretary determines are appropriate for purposes of carrying out the program established by this section in an effective and efficient manner.

[(6) NOTIFICATION.—The Secretary shall notify each applicant, not later than 6 months after the date of the submission of the application, whether the application is approved or disapproved.

[(d) IMPLEMENTATION GRANTS.—

[(1) IN GENERAL.—The Secretary may make implementation grants under this subsection to applicants for the purpose of carrying out revitalization programs for severely distressed public housing under this section.

[(2) ELIGIBLE ACTIVITIES.—Implementation grants may be used for activities to carry out revitalization programs for severely distressed public housing, including—

[(A) architectural and engineering work;

[(B) the redesign, reconstruction, or redevelopment of the severely distressed public housing development, including the site on which the development is located;

[(C) covering the administrative costs of the applicant, which may not exceed such portion of the assistance provided under this subsection as the Secretary may prescribe;

[(D) any necessary temporary relocation of tenants during the activity specified under subparagraph (B);

[(E) payment of legal fees;

[(F) economic development activities that promote the economic self-sufficiency of residents under the revitalization program;

[(G) necessary management improvements;

[(H) transitional security activities; and

[(I) any necessary support services, except that not more than 15 percent of any grant under this subsection may be used for such purpose.

[(3) APPLICATION.—An application for a implementation grant shall be submitted by an applicant in such form and in accordance with such procedures as the Secretary shall establish. The Secretary shall require that an application contain at a minimum—

[(A) a request for an implementation grant, specifying the amount of the grant requested and its proposed uses;

[(B) a description of the applicant and a statement of its qualifications;

[(C) identification and description of the project involved, and a description of the composition of the tenants, including family size and income;

[(D) a certification by the public official responsible for submitting the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act that the proposed activities are consistent with the approved housing strategy of the State or unit of general local government within which the project is located; and

[(E) a certification that the applicant will comply with the requirements of the Fair Housing Act, title VI of the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, and will affirmatively further fair housing.

[(4) SELECTION CRITERIA.—The Secretary shall, by regulation, establish selection criteria for a national competition for assistance under this subsection, which shall include—

[(A) the qualities or potential capabilities of the applicant;

[(B) the extent of resident involvement in the development of a revitalization program for the project;

[(C) the extent of involvement of local public and private entities in the development of a revitalization program for the project and in the provision of supportive services to project residents;

[(D) the potential of the applicant for developing a successful and affordable revitalization program and the suitability of the project for such a program;

[(E) national geographic diversity among housing for which applicants are selected to receive assistance;

[(F) the extent of the need for and potential impact of the revitalization program; and

[(G) such other factors that the Secretary determines are appropriate for purposes of carrying out the program established by this subtitle in an effective and efficient manner.

[(5) NOTIFICATION.—The Secretary shall notify each applicant, not later than 6 months after the date of the submission of the application, whether the application is approved or disapproved.

[(e) EXCEPTIONS TO GENERAL PROGRAM REQUIREMENTS.—

[(1) LONG-TERM VIABILITY.—The Secretary may waive or revise rules established under this title governing rents, income eligibility, and other areas of public housing management, to permit a public housing agency to undertake measures that enhance the long-term viability of a severely distressed public housing project revitalized under this section.

[(2) SELECTION OF TENANTS.—For projects revitalized under this section, a public housing agency may select tenants pursuant to a local system of preferences, in lieu of selecting tenants pursuant to the preferences specified under section 6(c)(4)(A)(i). Such local system shall be established in writing and shall respond to local housing needs and priorities as determined by the public housing agency. The public housing agency shall hold 1 or more public hearings to obtain the views of low-income tenants and other interested parties on the housing needs and priorities of the agency's jurisdiction.

[(f) OTHER PROGRAM REQUIREMENTS.—

[(1) COST LIMITATIONS.—Subject to the provisions of this section, the Secretary—

[(A) shall establish cost limitations on eligible activities under this section sufficient to provide for effective revitalization programs; and

[(B) may establish other cost limitations on eligible activities under this section.

[(2) ECONOMIC DEVELOPMENT.—Not more than an aggregate of $250,000 from amounts made available under subsections (c) and (d) may be used for economic development activities under subsections (c) and (d) for any project, except that the Secretary may for good cause waive the applicability of this paragraph for a project.

[(g) ADMINISTRATION.—For the purpose of carrying out the revitalization of severely distressed public housing in accordance with this section, the Secretary shall establish within the Department of Housing and Urban Development an Office of Severely Distressed Public Housing Revitalization.

[(h) DEFINITIONS.—For the purposes of this section:

[(1) APPLICANT.—The term ''applicant'' means—

[(A) any public housing agency that is not designated as troubled pursuant to section 6(j)(2);

[(B) any public housing agency or private housing management agent selected, or receiver appointed pursuant, to section 6(j)(3);

[(C) any public housing agency that is designated as troubled pursuant to section 6(j)(2), if such agency acts in concert with a private nonprofit organization, another public housing agency that is not designated as a troubled agency, resident management corporation or other entity approved by the Secretary; and

[(D) any public housing agency that is designated as troubled pursuant to section 6(j)(2) that—

[(i) is so designated principally for reasons that will not affect the capacity of the agency to carry out a revitalization program;

[(ii) is making substantial progress toward eliminating the deficiencies of the agency; or

[(iii) is otherwise determined by the Secretary to be capable of carrying out a revitalization program.

[(2) PRIVATE NONPROFIT CORPORATION.—The term ''private nonprofit organization'' means any private nonprofit organization (including a State or locally chartered nonprofit organization) that—

[(A) is incorporated under State or local law;

[(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;

[(C) complies with standards of financial accountability acceptable to the Secretary; and

[(D) has among its purposes significant activities related to the provision of decent housing that is affordable to very low-income families.

[(3) PUBLIC HOUSING AGENCY.—The term ''public housing agency'' has the meaning given the term in section 3(b), except that it does not include any Indian housing authority.

[(4) RESIDENT MANAGEMENT CORPORATION.—The term ''resident management corporation'' means a resident management corporation established in accordance with the requirements of the Secretary under section 20.

[(5) SEVERELY DISTRESSED PUBLIC HOUSING.—The term ''severely distressed public housing'' means a public housing project—

[(A) that—

[(i) requires major redesign, reconstruction or redevelopment, or partial or total demolition, to correct serious deficiencies in the original design (including appropriately high population density), deferred maintenance, physical deterioration or obsolescence of major systems and other deficiencies in the physical plant of the project;

[(ii) is occupied predominantly by families with children who are in a severe state of distress, characterized by such factors as high rates of unemployment, teenage pregnancy, single-parent households, long-

term dependency on public assistance and minimal educational achievement;

[(iii) is in a location for recurrent vandalism and criminal activity (including drug-related criminal activity); and

[(iv) cannot remedy the elements of distress specified in clauses (i) through (iii) through assistance under other programs, such as the programs under section 9 or 14, or through other administrative means; or

[(B) that—

[(i) is owned by a public housing agency designated as troubled pursuant to section 6(j)(2);

[(ii) has a vacancy rate, as determined by the Secretary, of 50 percent or more, unless the project or building is vacant because it is awaiting rehabilitation under a modernization program under section 14 that—

[(I) has been approved and funded; and

[(II) as determined by the Secretary, is on schedule and is expected to result in full occupancy of the project or building upon completion of the program; and

[(iii) in the case of individual buildings, the building is, in the Secretary's determination, sufficiently separable from the remainder of the project to make use of the building feasible for purposes of this subtitle.

[(i) ANNUAL REPORT.—The Secretary shall submit to the Congress an annual report setting forth—

[(1) the number, type, and cost of public housing units revitalized pursuant to this section;

[(2) the status of projects identified as severely distressed public housing pursuant to subsection (b);

[(3) the amount and type of financial assistance provided under and in conjunction with this section; and

[(4) the recommendations of the Secretary for statutory and regulatory improvements to the program established by this section.

[SEC. 25. CHOICE IN PUBLIC HOUSING MANAGEMENT.

[(a) SHORT TITLE.—This section may be cited as the "Choice in Public Housing Management Act of 1992".

[(b) FUNDING.—

[(1) REHABILITATION AND REDEVELOPMENT GRANTS.—From amounts reserved under section 14(k)(2) for each of fiscal years 1993 and 1994, the Secretary may reserve not more than $50,000,000 in each such fiscal year for activities under this section (which may include funding operating reserves for eligible housing transferred under this section). The Secretary may make grants to managers and ownership entities to rehabilitate eligible housing in accordance with this section, as appropriate.

[(2) TECHNICAL ASSISTANCE.—The Secretary may use up to 5 percent of the total amount reserved under paragraph (1) for any fiscal year to provide, by contract, technical assistance to

residents of public housing and resident councils to help such residents and councils make informed choices about options for alternative management under this section.

[(c) PROGRAM AUTHORITY.—

[(1) TRANSFER OF MANAGEMENT.—

[(A) IN GENERAL.—The Secretary may approve not more than 25 applications submitted for fiscal years 1993 and 1994 by resident councils for the transfer of the management of distressed public housing projects, or one or more buildings within projects, that are owned or operated by troubled public housing agencies, from public housing agencies to alternative managers.

[(B) REQUIRED VOTES.—An application for such transfer may be submitted and approved only if a majority of the members of the board of the resident council has voted in favor of the proposed transfer of management responsibilities, and a majority of the residents has also voted in favor of the transfer in an election supervised by a disinterested third party.

[(C) ASSISTANCE OF MANAGEMENT SPECIALIST.—Any resident council seeking to transfer management of distressed public housing under this section shall, in cooperation with the public housing agency for such housing, select a qualified public housing management specialist to assist in identifying and acquiring a capable manager for the housing.

[(2) REHABILITATION AND CAPITAL IMPROVEMENTS.—The Secretary may make rehabilitation grants and provide capital improvement funding under subsection (e) in connection with the transfer of eligible housing to a manager under this section.

[(d) OPERATING SUBSIDIES.—

[(1) AUTHORITY TO PROVIDE.—The Secretary may make operating subsidies under section 9 available to managers under this section.

[(2) AMOUNT OF SUBSIDY.—The Secretary shall establish the amount of the operating subsidies made available to a manager based on the share for the housing under section 9 as determined by the Secretary.

[(3) EFFECT ON PHA GRANT.—Operating subsidies for any public housing agency transferring management under this section shall be reduced in accordance with the requirements of section 9.

[(e) REHABILITATION GRANTS AND CAPITAL IMPROVEMENT FUNDING.—

[(1) REHABILITATION GRANTS.—An application under subsection (f) may request approval of amounts set aside under subsection (b) for the rehabilitation of eligible housing. The manager and the Secretary shall enter into a contract governing the use of any such assistance provided.

[(2) ANNUAL CAPITAL IMPROVEMENT FUNDING.—

[(A) AUTHORITY TO PROVIDE.—The Secretary may make funding for capital improvements available annually from amounts under section 14 to managers of eligible housing. In accordance with the contract entered into pursuant to

subsection (h), each manager receiving such funding shall establish a capital improvements reserve account and deposit in the account each year an amount not less than the annual amount of comprehensive grant funds it receives. Amounts in the reserve account may be used only for capital improvements and replacements.

[(B) AMOUNT OF SUBSIDY.—The Secretary shall establish the amount made available to a manager under paragraph (1) for capital improvements based on the share for the housing under the comprehensive grant formula and, to the extent practicable, the public housing agency's comprehensive grant plan, in accordance with section 14, as determined by the Secretary.

[(C) LIMITATION IN THE CASE OF RECENT REHABILITATION.—Where eligible housing has received rehabilitation funding under paragraph (1) or has otherwise been comprehensively modernized within 3 years before the effective date of the contract between the Secretary and the manager for management of the eligible housing, only the accrual portion of the comprehensive grant formula amount shall be available for payment to the manager.

[(D) EFFECT ON PHA GRANT.—The formula amount of a comprehensive grant for a public housing agency transferring the housing under this section shall be reduced in accordance with the requirements of section 14.

[(3) RELATIONSHIP TO SECTION 14.—The provisions of section 14 shall apply with respect to rehabilitation grants under paragraph (1) or capital improvement funding under paragraph (2); except that the Secretary may waive the applicability of any of the provisions of such section where such provisions are not appropriate to the assistance under this subsection.

[(f) APPLICATION.—

[(1) FORM AND PROCEDURES.—

[(A) IN GENERAL.—To be eligible for approval for transfer of management from a public housing agency to a manager and for a grant under subsection (e), a resident council shall submit an application to the Secretary in such form and in accordance with such procedures as the Secretary shall establish.

[(B) PHA COMMENT ON APPLICATION.—A resident council submitting an application shall provide the public housing agency that owns or operates the housing involved a reasonable opportunity to comment on the application, as the Secretary shall prescribe.

[(C) PHA PROPOSAL.—The public housing agency may present to the resident council a proposal for the continued management of the housing by the agency, and the resident council shall give reasonable consideration to any such proposal.

[(2) MINIMUM REQUIREMENTS.—The Secretary shall require that an application contain—

[(A) a description of the resident council and documentation of its authority;

[(B) documentation of the votes required under subsection (c)(1)(B);

[(C) a description of the proposed manager selected by the applicant (in accordance with procedures established or approved by the Secretary) and documentation of its capacity to manage the eligible housing;

[(D) a plan for carrying out the manager's responsibilities for managing the eligible housing;

[(E) documentation that the project (or building or buildings) for which management transfer is proposed is eligible housing;

[(F) documentation that each of the requirements under paragraph (1)(B) have been fulfilled;

[(G)(i) if the application includes a request for a rehabilitation grant under subsection (e) (which shall be included in any application involving eligible housing that is 50 percent or more vacant), the basis for the estimate of the amount requested, including—

[(I) the estimate of the eligible housing's need under the public housing agency's comprehensive plan (under section 14(e)(1)); and

[(II) an explanation, where appropriate, if an amount higher than the amount planned by the agency is being requested; or

[(ii) if the application does not include a request for a rehabilitation grant under subsection (e), a demonstration that needs for capital improvements and replacement for the housing can reasonably be expected to be funded from funding for capital improvements under subsection (e);

[(H) if the manager proposes to administer a program to enable residents to achieve economic independence and self-sufficiency, a description of the program and evidence of commitment of resources to the program;

[(I) an analysis showing that the planned rehabilitation will result in the long-term viability of the housing at a reasonable cost;

[(J) a certification that the manager will comply with the requirements of the Fair Housing Act, title VI of the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, and will affirmatively further fair housing; and

[(K) such other information that the Secretary considers appropriate.

[(g) REVIEW AND APPROVAL BY THE SECRETARY.—

[(1) APPLICATIONS NOT REQUESTING REHABILITATION ASSISTANCE.—In the case of applications for the transfer of management of public housing that do not include a request for rehabilitation assistance under subsection (e), the Secretary may approve an application that meets the requirements of subsection (f)(2) and this section.

[(2) APPLICATIONS REQUESTING REHABILITATION GRANTS.—In the case of applications that include a request for rehabilitation assistance under subsection (e), the Secretary shall select applicants for approval based on a national competition. The

Secretary shall, by regulation, establish selection criteria for the competition which provide for separate rating of applicants under this paragraph and of applicants under this section, and for selections from a single list of all applicants. The criteria shall include—

[(A) the quality of the plan for rehabilitating the eligible housing;

[(B) the extent of the capacity or potential capacity of the proposed manager to manage the housing and to carry out the rehabilitation program;

[(C) the extent to which a program is proposed to enable residents to achieve economic independence and self-sufficiency;

[(D) the extent to which the planned rehabilitation will result in the long-term viability of the housing at a reasonable cost; and

[(E) such other criteria as the Secretary may require.

[(h) CONTRACT BETWEEN SECRETARY AND MANAGER.—

[(1) TERMS.—After the Secretary approves an application, the Secretary shall enter into a contract with the manager for transfer of management of the eligible housing. In addition to other contract provisions required under this section, the contract shall—

[(A) give the manager the right to receive operating subsidies under subsection (d) and capital improvement funding under subsection (e);

[(B) require the manager to carry out all management responsibilities for the eligible housing, as provided in or required by the contract;

[(C) require the manager to carry out, for the eligible housing, all management responsibilities applicable to public housing agencies owning or operating public housing projects, including (i) maintaining the units in decent, safe, and sanitary condition in accordance with any standards for public housing established or adopted by the Secretary, (ii) determining eligibility of applicants for occupancy of units subject to the requirements of this Act, (iii) terminating tenancy in accordance with the procedures applicable to the section 8 new construction program, and (iv) determining the amount of rent paid for units in accordance with this Act; and

[(D) permit, but not require, the manager to select applicants from the public housing waiting list maintained by the public housing agency.

[(2) EXTENSION, EXPIRATION, AND TERMINATION.—

[(A) IN GENERAL.—The Secretary shall provide for a resident council that has entered into a contract under this subsection to—

[(i) approve the renewal of the contract between the Secretary and the manager; or

[(ii) disapprove renewal and submit an application to the Secretary, in accordance with subsection (f), proposing another manager, which may be the public housing agency.

[(B) DEFAULT.—If the Secretary determines that a manager is in default of its responsibilities under the contract, the Secretary may require the resident council to submit another application proposing a different manager, which may be the public housing agency.

[(i) OTHER PROGRAM REQUIREMENTS.—

[(1) COST LIMITATIONS.—The Secretary may establish cost limitations on activities under this section. The amount of rehabilitation funds under subsection (e)(1) that may be approved may not exceed the per unit cost limit applicable to the comprehensive grant program under section 14.

[(2) DEMOLITION AND DISPOSITION NOT PERMITTED.—A manager may not demolish or dispose of eligible housing under this section.

[(3) CAPABILITY OF RESIDENT MANAGEMENT CORPORATIONS.—To be eligible to become a manager under this section, a resident management corporation—

[(A) shall demonstrate to the Secretary its ability to manage public housing effectively and efficiently, as determined by the Secretary, which shall include evidence of its most recent financial audit; or

[(B) shall arrange for operation of the housing by a qualified management entity.

[(4) LIMITATIONS ON PHA LIABILITY.—A public housing agency shall not be liable for any act or failure to act by the manager or resident council.

[(5) BONDING AND INSURANCE.—Before assuming any management responsibility for eligible housing, a manager shall obtain fidelity bonding and insurance, or equivalent protection, in accordance with regulations and requirements established by the Secretary. Such bonding and insurance, or its equivalent, shall be adequate to protect the Secretary and the public housing agency against loss, theft, embezzlement, or fraudulent acts on the part of the manager or its employees.

[(6) RESTRICTION ON DISPLACEMENT BEFORE TRANSFER.—A public housing agency may not involuntarily displace, as determined by the Secretary, any resident of eligible housing during the period beginning on the date that an application under subsection (f) is submitted by a resident council, and ending upon transfer of management of the housing or, if the application is disapproved, the date of the disapproval.

[(j) PERFORMANCE REVIEW AND COMPLIANCE.—

[(1) MONITORING.—The Secretary shall monitor the performance of managers under this section and shall assess their management performance using the performance indicators established under section 6(j)(1).

[(2) RECORDS, REPORTS, AND AUDITS OF MANAGERS.—

[(A) KEEPING OF RECORDS.—Each manager and resident council under this subtitle shall keep such records as may be reasonably necessary to disclose the amount and the disposition by the manager of the proceeds of assistance received under this section and to ensure compliance with the requirements of this section.

[(B) ACCESS TO DOCUMENTS.—

[(i) SECRETARY.—The Secretary shall have access for the purpose of audit and examination to any books, documents, papers, and records of a manager, resident council, and public housing agency that are pertinent to assistance received under, and to the requirements of, this section.

[(ii) GAO.—The Comptroller General of the United States, and any duly authorized representatives of the Comptroller General, shall have access for the purpose of audit and examination to any books, documents, papers, and records of a manager and resident council that are pertinent to assistance received under, and to the requirements of, this section.

[(C) REPORTING REQUIREMENTS.—Each manager shall submit to the Secretary such reports as the Secretary determines appropriate to carry out the Secretary's responsibilities under this section, including an annual financial audit.

[(D) ANNUAL REPORT.—The Secretary shall submit an annual report to the Congress evaluating management transfers under this section compared to other methods of dealing with severely distressed public housing.

[(k) NONDISCRIMINATION.—No person in the United States shall, on the grounds of race, color, national origin, religion, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with funds made available under this section. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 or with respect to an otherwise qualified handicapped individual as provided in section 504 of the Rehabilitation Act of 1973 shall also apply to any such program or activity.

[(l) RELATIONSHIP TO OTHER PROGRAMS.—

[(1) HOMEOWNERSHIP.—After a transfer of management in accordance with this section, the eligible housing shall remain eligible for assistance under title III and for sale under section 5(h). Participation in a homeownership program shall be consistent with a contract between the Secretary and a manager.

[(2) SELF-SUFFICIENCY.—Where an application under subsection (f) proposes a program to enable residents to achieve economic independence and self-sufficiency, consistent with the objectives of the program under section 23, and demonstrates that the manager has the capacity to carry out a self-sufficiency program, the Secretary may approve such a program. Where such a program is approved, the Secretary shall authorize the manager to adopt policies consistent with section 23(d) (relating to maximum rents and escrow savings accounts) and section 23(e) (relating to effect of increases in family income).

[(m) DEFINITIONS.—For purposes of this section:

[(1) The term ''eligible housing'' means a public housing project, or one or more buildings within a project, that—

[(A) is owned or operated by a troubled public housing agency; and

[(B) has been identified as severely distressed under section 24 of this Act.

In the case of an individual building, the building shall, in the determination of the Secretary, be sufficiently separable from the remainder of the project to make use of the building feasible for purposes of this section.

[(2) The term "manager" means one of the following entities that has entered into a contract with the Secretary for the management of eligible housing under this section:

[(A) A public or private nonprofit organization (including, as determined by the Secretary, such an organization sponsored by the public housing agency).

[(B) A for-profit entity, if it has (i) demonstrated experience in providing low-income housing, and (ii) is participating in joint venture with an organization described in paragraph (3).

[(C) A State or local government, including an agency or instrumentality thereof.

[(D) A public housing agency (other than the public housing agency that owns the project).

The term does not include a resident council.

[(3) The term "private nonprofit organization" means any private nonprofit organization (including a State or locally chartered nonprofit organization) that—

[(A) is incorporated under State or local law;

[(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;

[(C) complies with standards of financial accountability acceptable to the Secretary; and

[(D) has among its purposes significant activities related to the provision of decent housing that is affordable to low-income families.

The term includes resident management corporations.

[(4) The term "public housing agency" has the meaning given such term in section 3(b), except that it does not include Indian housing authorities.

[(5) The term "public nonprofit organization" means any public nonprofit entity, except the public housing agency that owns the eligible housing.

[(6) The term "resident council" means any nonprofit organization or association that—

[(A) is representative of the residents of the eligible housing;

[(B) adopts written procedures providing for the election of officers on a regular basis; and

[(C) has a democratically elected governing board, elected by the residents of the eligible housing.

[(7) The term "resident management corporation" means a resident management corporation established in accordance with the requirements of the Secretary under section 20.

[(8) The term "troubled public housing agency" means a public housing agency with 250 or more units that—

[(A) has been designated as a troubled public housing agency for the current Federal fiscal year, and for the 2 preceding Federal fiscal years—

[(i) under section 6(j)(2)(A)(i); or

[(ii) before the implementation of such authority, under any other procedure for designating troubled public housing agencies that was used by the Secretary and is determined by the Secretary to be appropriate for purposes of this section; and

[(B) has not met targets for improved performance under section 6(j)(2)(C).

[SEC. 26. ENVIRONMENTAL REVIEWS.

[(a) IN GENERAL.—

[(1) RELEASE OF FUNDS.—In order to assure that the policies of the National Environmental Policy Act of 1969 and other provisions of law which further the purposes of such Act (as specified in regulations issued by the Secretary) are most effectively implemented in connection with the expenditure of funds under this title, and to assure to the public undiminished protection of the environment, the Secretary may, under such regulations, in lieu of the environmental protection procedures otherwise applicable, provide for the release of funds for projects or activities under this title, as specified by the Secretary upon the request of a public housing agency (including an Indian housing authority) under this section, if the State or unit of general local government, as designated by the Secretary in accordance with regulations, assumes all of the responsibilities for environmental review, decisionmaking, and action pursuant to such Act, and such other provisions of law as the regulations of the Secretary may specify, which would otherwise apply to the Secretary with respect to the release of funds.

[(2) IMPLEMENTATION.—The Secretary, after consultation with the Council on Environmental Quality, shall issue such regulations as may be necessary to carry out this section. Such regulations shall specify the programs to be covered.

[(b) PROCEDURE.—The Secretary shall approve the release of funds subject to the procedures authorized by this section only if, not less than 15 days prior to such approval and prior to any commitment of funds to such projects or activities, the public housing agency (including an Indian housing authority) has submitted to the Secretary a request for such release accompanied by a certification of the State or unit of general local government which meets the requirements of subsection (c). The Secretary's approval of any such certification shall be deemed to satisfy the Secretary's responsibilities under the National Environmental Policy Act of 1969 and such other provisions of law as the regulations of the Secretary specify insofar as those responsibilities relate to the release of funds which are covered by such certification.

[(c) CERTIFICATION.—A certification under the procedures authorized by this section shall—

[(1) be in a form acceptable to the Secretary;

[(2) be executed by the chief executive officer or other officer of the State or unit of general local government who qualifies under regulations of the Secretary;

[(3) specify that the State or unit of general local government under this section has fully carried out its responsibilities as described under subsection (a); and

[(4) specify that the certifying officer—

[(A) consents to assume the status of a responsible Federal official under the National Environmental Policy Act of 1969 and each provision of law specified in regulations issued by the Secretary insofar as the provisions of such Act or other such provision of law apply pursuant to subsection (a); and

[(B) is authorized and consents on behalf of the State or unit of general local government and himself or herself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his or her responsibilities as such an official.

[(d) APPROVAL BY STATES.—In cases in which a unit of general local government carries out the responsibilities described in subsection (c), the Secretary may permit the State to perform those actions of the Secretary described in subsection (b) and the performance of such actions by the State, where permitted by the Secretary, shall be deemed to satisfy the Secretary's responsibilities referred to in the second sentence of subsection (b).

[TITLE II—ASSISTED HOUSING FOR INDIANS AND ALASKA NATIVES

[SEC. 201. ESTABLISHMENT OF SEPARATE PROGRAM OF ASSISTED HOUSING FOR INDIANS AND ALASKA NATIVES.

[(a) GENERAL AUTHORITY.—The Secretary shall carry out programs to provide low-income housing on Indian reservations and other Indian areas in accordance with the provisions of this title.

[(b) APPLICABILITY OF TITLE I.—

[(1) IN GENERAL.—Except as otherwise provided in this title, the provisions of title I shall apply to low-income housing developed or operated pursuant to a contract between the Secretary and an Indian housing authority.

[(2) PUBLIC HOUSING.—No provision of title I (or of any other law specifically modifying the public housing program under title I) that is enacted after the date of the enactment of the Indian Housing Act of 1988 shall apply to public housing developed or operated pursuant to a contract between the Secretary and an Indian housing authority, unless the provision explicitly provides for such applicability.

[(c) INAPPLICABILITY OF CERTAIN REQUIREMENTS.—Lower income housing developed or operated pursuant to a contract between the Secretary and an Indian housing authority shall not be subject to section 227 of the Housing and Urban-Rural Recovery Act of 1983 (relating to pet ownership in assisted housing for the elderly or handicapped) or section 6(h) of the United States Housing Act of 1937 (relating to a limitation on contracts involving new construction).

[SEC. 202. MUTUAL HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM.

[(a) ESTABLISHMENT.—The Secretary shall carry out a mutual help homeownership opportunity program for Indian families in accordance with this section. The program shall be designed to meet the homeownership needs of Indian families on Indian reservations and other Indian areas, including Indian families whose incomes exceed the levels established for low-income families.

[(b) FINANCIAL ASSISTANCE.—

[(1) IN GENERAL.—The Secretary may, to the extent provided in appropriation Acts, enter into contracts with Indian housing authorities under title I to provide financial assistance for the development, acquisition, operation, and improvement of housing projects under this section.

[(2) ELIGIBILITY FOR CIAP.—Notwithstanding the provisions of section 14(c), the Secretary may provide assistance provided for comprehensive modernization under section 14 for the housing projects under this section for the purposes under section 14. Any assistance shall be provided under this paragraph only in the form of a grant for each housing project (or unit within a project) selected for such assistance.

[(c) ELIGIBLE PROJECTS.—

[(1) PROJECT TYPES.—Projects for which assistance may be provided under this section may include single-family detached dwellings and other single-family dwellings (including row houses).

[(2) FORMS OF OWNERSHIP.—In addition to fee simple ownership and other forms of ownership, the Secretary may permit and facilitate cooperative ownership for any project assisted under this section, if the Indian housing authority requests cooperative ownership and the Secretary determines such ownership to be appropriate for the project.

[(3) PROPERTY STANDARDS.—Property standards for projects assisted under this section shall be established by regulation, in accordance with section 205. The standards shall—

[(A) provide sufficient flexibility to permit the use of different designs and materials; and

[(B) include cost-effective energy conservation performance standards designed to ensure the lowest total construction and operating costs.

[(d) ELIGIBLE FAMILIES.—

[(1) IN GENERAL.—Except as provided in paragraph (2), assistance under this section shall be limited to Indian low-income families on Indian reservations and other Indian areas.

[(2) EXCEPTION.—

[(A) DEMONSTRATED NEED.—An Indian housing authority may provide assistance under this section to families on Indian reservations and other Indian areas whose incomes exceed the levels established for low-income families, if the Indian housing authority demonstrates to the satisfaction of the Secretary that there is a need for housing for such families that cannot reasonably be met without such assistance. An Indian housing authority may provide assistance under this section to any non-Indian family on an Indian reservation or other Indian area if the Indian

housing authority determines that the presence of the family on the Indian reservation or other Indian area is essential to the well-being of Indian families and the need for housing for the family cannot reasonably be met without such assistance.

[(B) LIMITATION ON NUMBER OF UNITS.—The number of dwelling units in any project assisted under this section that may be occupied by or reserved for families on Indian reservations and other Indian areas whose incomes exceed the levels established for low-income families may not exceed whichever of the following is higher:

[(i) 10 PERCENT.—10 percent of the dwelling units in the project.

[(ii) 5 UNITS.—5 dwelling units.

[(e) MUTUAL HELP AND OCCUPANCY AGREEMENT.—Each Indian housing authority operating a program under this section shall require each family selected for housing under this section to enter into a mutual help and occupancy agreement. The agreement shall provide the following:

[(1) FAMILY CONTRIBUTION.—

[(A) GENERAL REQUIREMENT.—The family shall agree to contribute toward the development cost of a project in the form of land, labor, cash, or materials or equipment. The value of the contribution of each family shall not be less than $1,500.

[(B) CONTRIBUTION BY INDIAN TRIBE.—Contributions other than labor may be made by an Indian tribe on behalf of a family.

[(2) MONTHLY PAYMENT.—

[(A) CALCULATION.—The family shall agree to make a monthly payment to the Indian housing authority that is equal to whichever of the following is higher:

[(i) PERCENTAGE OF ADJUSTED INCOME.—An amount computed by—

[(I) multiplying the monthly adjusted income of the family by a percentage that is not less than 15 percent and not more than 30 percent, as determined by the Indian housing authority to be appropriate; and

[(II) subtracting the estimated monthly payments of the family for the reasonable use of utilities (excluding telephone service).

[(ii) ADMINISTRATION CHARGE.—The amount budgeted by the Indian housing authority for monthly operating expenses on the dwelling of the family, excluding any operating cost for which operating assistance is provided by the Secretary under section 9.

[(B) OTHER APPLICABLE LAW.—Monthly payments under this section shall be subject to section 203 of the Housing and Community Development Act of 1974.

[(3) MAINTENANCE AND UTILITIES.—The family shall be responsible for the maintenance and monthly utility expenses of the dwelling. The Indian housing authority shall have in effect procedures determined by the Secretary to be sufficient for en-

suring the timely periodic maintenance of the dwelling by the family.

[(4) HOMEOWNERSHIP OPPORTUNITIES.—The Indian housing authority shall afford the family an opportunity to purchase the dwelling under a lease-purchase, mortgage, or loan agreement with the Indian housing authority or any other qualified entity, if the Indian housing authority determines (in accordance with objective standards and procedures established by the Secretary after consultation with Indian housing authorities) that the family is able to meet the obligations of homeownership.

[(f) SELF-HELP HOUSING PROGRAM.—

[(1) ESTABLISHMENT.—The Secretary shall establish a self-help housing program for projects assisted under this section.

[(2) REQUIREMENTS.—In the case of any project approved by the Secretary for participation in the self-help housing program—

[(A) each family shall make a contribution under subsection (e)(1) in the form of labor in accordance with labor contribution requirements similar to the requirements applicable under the mutual self-help housing program established in section 523 of the Housing Act of 1949; and

[(B) the Secretary shall provide each family with technical and supervisory assistance similar to the assistance available under the mutual self-help housing program established in section 523 of the Housing Act of 1949.

[(3) APPLICATIONS.—Any Indian housing authority may submit an application to the Secretary for inclusion of a project assisted under this section in the self-help housing program.

[SEC. 203. ADDITIONAL PROVISIONS.

[(a) PUBLIC HOUSING MAXIMUM CONTRIBUTIONS.—In determining the maximum contributions that may be made by the Secretary to an Indian housing authority for development of a public housing project (including a mutual help homeownership opportunity project under this title), the Secretary shall consider all relevant factors, including—

[(1) the logistical problems associated with projects of remote location, low density, or scattered sites; and

[(2) the availability of skilled labor and acceptable materials.

[(b) RELATED FACILITIES AND SERVICES.—The Secretary shall take such actions as may be necessary to ensure the timely and efficient provision, through the Interdepartmental Agreement on Indian Housing, of any roads, water supply and sewage facilities, and electrical and fuel distribution systems that are required for completion and occupancy of public housing projects assisted under this title (including mutual help homeownership opportunity projects). Notwithstanding any other provision of this Act, the Secretary shall make annual payments from funds appropriated under section 9(c) to municipalities providing such roads, facilities, and systems in a amount equal to—

[(1) 10 percent of the applicable shelter rent, minus the utility allowance; or

[(2) $150,

whichever is greater, for each rental housing unit covered by this subsection.

[(c) ACCESSIBILITY TO PHYSICALLY HANDICAPPED PERSONS.—The Secretary shall, in accordance with Public Law 90–480 (42 U.S.C. 4151 et seq.; commonly known as the Architectural Barriers Act of 1968) and other applicable law, require each Indian housing authority to give proper consideration to the needs of physically handicapped persons for ready access to, and use of, low-income housing assisted under this title.

[SEC. 204. ANNUAL REPORT.

[The Secretary shall include in the annual report under section 8 of the Department of Housing and Urban Development Act—

[(1) a description of the actions taken to carry out the provisions of the Housing and Community Development Act of 1987 that relate to Indian housing;

[(2) an evaluation of the status of the program of single-family mortgage insurance for Indians and Alaska Natives under section 248 of the National Housing Act;

[(3) an assessment of the housing needs of native Hawaiians and an evaluation of current Federal programs designed to meet the needs, including programs of housing assistance for low-income families and the program of single-family mortgage insurance for native Hawaiians under section 247 of the National Housing Act;

[(4) recommendations for resolving concerns relating to Indian housing authorities that are authorized to serve both Indians and non-Indians; and

[(5) a description of actions taken to ensure the timely and efficient provision, through the Interdepartmental Agreement on Indian Housing, of any roads, water supply and sewage facilities, and electrical and fuel distribution systems that are required for completion and occupancy of public housing projects assisted under this title (including mutual help homeownership opportunity projects).

[SEC. 205. REGULATIONS.

[(a) ISSUANCE.—The Secretary shall issue regulations to carry out this title and the amendments made by the Indian Housing Act of 1988. The regulations shall be issued in accordance with subsections (b) through (e) of section 553 of title 5, United States Code.

[(b) CONSULTATION WITH INDIAN HOUSING AUTHORITIES.—In formulating proposed regulations under this section, the Secretary shall consult with Indian housing authorities.

[(c) EFFECTIVE DATE.—The Secretary shall issue regulations under this section to become effective before the expiration of the 90-day period beginning on the date of the enactment of the Indian Housing Act of 1988.

[TITLE III—HOPE FOR PUBLIC AND INDIAN HOUSING HOMEOWNERSHIP

[SEC. 301. PROGRAM AUTHORITY.

[(a) IN GENERAL.—The Secretary is authorized to make—

[(1) planning grants to help applicants to develop homeownership programs in accordance with this title; and

[(2) implementation grants to carry out homeownership programs in accordance with this title.

[(b) AUTHORITY TO RESERVE HOUSING ASSISTANCE.—In connection with a grant under this title, the Secretary may reserve authority to provide assistance under section 8 of this Act to the extent necessary to provide replacement housing and rental assistance for a nonpurchasing tenant who resides in the project on the date the Secretary approves the application for an implementation grant, for use by the tenant in another project.

[SEC. 302. PLANNING GRANTS.

[(a) GRANTS.—The Secretary is authorized to make planning grants to applicants for the purpose of developing homeownership programs under this title. The amount of a planning grant under this section may not exceed $200,000, except that the Secretary may for good cause approve a grant in a higher amount.

[(b) ELIGIBLE ACTIVITIES.—Planning grants may be used for activities to develop homeownership programs (which may include programs for cooperative ownership), including—

[(1) development of resident management corporations and resident councils;

[(2) training and technical assistance for applicants related to development of a specific homeownership program;

[(3) studies of the feasibility of a homeownership program;

[(4) inspection for lead-based paint hazards, as required by section 302(a) of the Lead-Based Paint Poisoning Prevention Act;

[(5) preliminary architectural and engineering work;

[(6) tenant and homebuyer counseling and training;

[(7) planning for economic development, job training, and self-sufficiency activities that promote economic self-sufficiency of homebuyers and homeowners under the homeownership program;

[(8) development of security plans; and

[(9) preparation of an application for an implementation grant under this title.

[(c) APPLICATION.—

[(1) FORM AND PROCEDURES.—An application for a planning grant shall be submitted by an applicant in such form and in accordance with such procedures as the Secretary shall establish.

[(2) MINIMUM REQUIREMENTS.—The Secretary shall require that an application contain at a minimum—

[(A) a request for a planning grant, specifying the activities proposed to be carried out, the schedule for completing the activities, the personnel necessary to complete the activities, and the amount of the grant requested;

[(B) a description of the applicant and a statement of its qualifications;

[(C) identification and description of the public housing project or projects involved, and a description of the composition of the tenants, including family size and income;

[(D) a certification by the public official responsible for submitting the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act that the proposed activities are consistent with the approved housing strategy of the State or unit of general local government within which the project is located (or, during the first 12 months after enactment of the Cranston-Gonzalez National Affordable Housing Act, that the application is consistent with such other existing State or local housing plan or strategy that the Secretary shall determine to be appropriate); and

[(E) a certification that the applicant will comply with the requirements of the Fair Housing Act, title VI of the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, and will affirmatively further fair housing.

[(d) SELECTION CRITERIA.—The Secretary shall, by regulation, establish selection criteria for a national competition for assistance under this section, which shall include—

[(1) the qualifications or potential capabilities of the applicant;

[(2) the extent of tenant interest in the development of a homeownership program for the project;

[(3) the potential of the applicant for developing a successful and affordable homeownership program and the suitability of the project for homeownership;

[(4) national geographic diversity among projects for which applicants are selected to receive assistance; and

[(5) such other factors that the Secretary shall require that (in the determination of the Secretary) are appropriate for purposes of carrying out the program established by this title in an effective and efficient manner.

[SEC. 303. IMPLEMENTATION GRANTS.

[(a) GRANTS.—The Secretary is authorized to make implementation grants to applicants for the purpose of carrying out homeownership programs approved under this title.

[(b) ELIGIBLE ACTIVITIES.—Implementation grants may be used for activities to carry out homeownership programs (including programs for cooperative ownership) that meet the requirements under this subtitle, including the following activities:

[(1) Architectural and engineering work.

[(2) Implementation of the homeownership program, including acquisition of the public housing project from a public housing agency for the purpose of transferring ownership to eligible families in accordance with a homeownership program that meets the requirements under this title.

[(3) Rehabilitation of any public housing project covered by the homeownership program, in accordance with standards established by the Secretary.

[(4) Abatement of lead-based paint hazards, as required by section 302(a) of the Lead-Based Paint Poisoning Prevention Act.

[(5) Administrative costs of the applicant, which may not exceed 15 percent of the amount of assistance provided under this section.

[(6) Development of resident management corporations and resident management councils, but only if the applicant has not received assistance under section 302 for such activities.

[(7) Counseling and training of homebuyers and homeowners under the homeownership program.

[(8) Relocation of tenants who elect to move.

[(9) Any necessary temporary relocation of tenants during rehabilitation.

[(10) Funding of operating expenses and replacement reserves of the project covered by the homeownership program, except that the amount of assistance for operating expenses shall not exceed the amount the project would have received if it had continued to receive such assistance under section 9, with adjustments comparable to those that would have been made under section 9.

[(11) Implementation of a replacement housing plan.

[(12) Legal fees.

[(13) Defraying costs for the ongoing training needs of the recipient that are related to developing and carrying out the homeownership program.

[(14) Economic development activities that promote economic self-sufficiency of homebuyers, residents, and homeowners under the homeownership program.

[(c) MATCHING FUNDING.—

[(1) IN GENERAL.—Each recipient shall assure that contributions equal to not less than 25 percent of the grant amount made available under this section, excluding any amounts provided for post-sale operating expenses and replacement housing, shall be provided from non-Federal sources to carry out the homeownership program.

[(2) FORM.—Such contributions may be in the form of—

[(A) cash contributions from non-Federal resources, which may not include Federal tax expenditures or funds from a grant made under section 106(b) or section 106(d) of the Housing and Community Development Act of 1974;

[(B) payment of administrative expenses, as defined by the Secretary, from non-Federal resources, including funds from a grant made under section 106(b) or section 106(d) of the Housing and Community Development Act of 1974;

[(C) the value of taxes, fees, or other charges that are normally and customarily imposed but are waived, foregone, or deferred in a manner that facilitates the implementation of a homeownership program assisted under this subtitle;

[(D) the value of land or other real property as appraised according to procedures acceptable to the Secretary;

[(E) the value of investment in on-site and off-site infrastructure required for a homeownership program assisted under this subtitle; or

[(F) such other in-kind contributions as the Secretary may approve.

Contributions for administrative expenses shall be recognized only up to an amount equal to 7 percent of the total amount of grants made available under this section.

[(3) REDUCTION OF REQUIREMENT.—The Secretary shall reduce the matching requirement for homeownership programs carried out under this section in accordance with the formula established under section 220(d) of the Cranston-Gonzalez National Affordable Housing Act.

[(d) APPLICATION.—

[(1) FORM AND PROCEDURE.—An application for an implementation grant shall be submitted by an applicant in such form and in accordance with such procedures as the Secretary shall establish.

[(2) MINIMUM REQUIREMENTS.—The Secretary shall require that an application contain at a minimum—

[(A) a request for an implementation grant, specifying the amount of the grant requested and its proposed uses;

[(B) if applicable, an application for assistance under section 8 of this Act, which shall specify the proposed uses of such assistance and the period during which the assistance will be needed;

[(C) a description of the qualifications and experience of the applicant in providing housing for low-income families;

[(D) a description of the proposed homeownership program, consistent with section 304 and the other requirements of this title, which shall specify the activities proposed to be carried out and their estimated costs, identifying reasonable schedules for carrying it out, and demonstrating that the program will comply with the affordability requirements under section 304(b);

[(E) identification and description of the public housing project or projects involved, and a description of the composition of the tenants, including family size and income;

[(F) a description of and commitment for the resources that are expected to be made available to provide the matching funding required under subsection (c) and of other resources that are expected to be made available in support of the homeownership program;

[(G) identification and description of the financing proposed for any (i) rehabilitation and (ii) acquisition (I) of the property, where applicable, by a resident council or other entity for transfer to eligible families, and (II) by eligible families of ownership interests in, or shares representing, units in the project;

[(H) if the applicant is not a public housing agency, the proposed sales price, if any, the basis for such price determination, and terms to the applicant;

[(I) the estimated sales prices, if any, and terms to eligible families;

[(J) any proposed restrictions on the resale of units under a homeownership program;

[(K) identification and description of the entity that will operate and manage the property;

[(L) a certification by the public official responsible for submitting the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act that the proposed activities are consistent with the approved housing strategy of the State or unit of general local government within which the project is located (or, during the first 12 months after enactment of the Cranston-Gonzalez National Affordable Housing Act, that the application is consistent with such other existing State or local housing plan or strategy that the Secretary shall determine to be appropriate); and

[(M) a certification that the applicant will comply with the requirements of the Fair Housing Act, title VI of the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, and will affirmatively further fair housing.

[(e) SELECTION CRITERIA.—The Secretary shall establish selection criteria for a national competition for assistance under this section, which shall include—

[(1) the ability of the applicant to develop and carry out the proposed homeownership program, taking into account the quality of any related ongoing program of the applicant, and the extent of tenant interest in the development of a homeownership program and community support;

[(2) the feasibility of the homeownership program;

[(3) the extent to which current tenants and other eligible families will be able to afford the purchase;

[(4) the quality and viability of the proposed homeownership program, including the viability of the economic self-sufficiency plan;

[(5) the extent to which funds for activities that do not qualify as eligible activities will be provided in support of the homeownership program;

[(6) whether the approved comprehensive housing affordability strategy for the jurisdiction within which the public housing project is located includes the proposed homeownership program as one of the general priorities identified pursuant to section 105(b)(7) of the Cranston-Gonzalez National Affordable Housing Act;

[(7) national geographic diversity among housing for which applicants are selected to receive assistance; and

[(8) the extent to which a sufficient supply of affordable rental housing exists in the locality, so that the implementation of the homeownership program will not reduce the number of such rental units available to residents currently residing in such units or eligible for residency in such units.

[(f) LOCATION WITHIN PARTICIPATING JURISDICTIONS.—The Secretary may approve applications for grants under this title only for public housing projects located within the boundaries of jurisdictions—

[(1) which are participating jurisdictions under title III of the Cranston-Gonzalez National Affordable Housing Act; or

[(2) on behalf of which the agency responsible for affordable housing has submitted a housing strategy or plan.

[(g) APPROVAL.—The Secretary shall notify each applicant, not later than 6 months after the date of the submission of the application, whether the application is approved or not approved. The Secretary may approve the application for an implementation grant with a statement that the application for the section 8 assistance for replacement housing and for residents of the project not purchasing units is conditionally approved, subject to the availability of appropriations in subsequent fiscal years.

[SEC. 304. HOMEOWNERSHIP PROGRAM REQUIREMENTS.

[(a) IN GENERAL.—A homeownership program under this title shall provide for acquisition by eligible families of ownership interests in, or shares representing, at least one-half of the units in a public housing project under any arrangement determined by the Secretary to be appropriate, such as cooperative ownership (including limited equity cooperative ownership) and fee simple ownership (including condominium ownership), for occupancy by the eligible families.

[(b) AFFORDABILITY.—A homeownership program under this title shall provide for the establishment of sales prices (including principal, insurance, taxes, and interest and closing costs) for initial acquisition of the property from the public housing agency if the applicant is not a public housing agency, and for sales to eligible families, such that an eligible family shall not be required to expend more than 30 percent of the adjusted income of the family per month to complete a sale under the homeownership program.

[(c) PLAN.—A homeownership program under this title shall provide, and include a plan, for—

[(1) identifying and selecting eligible families to participate in the homeownership program;

[(2) providing relocation assistance to families who elect to move;

[(3) ensuring continued affordability by tenants, homebuyers, and homeowners in the project;

[(4) providing ongoing training and counseling for homebuyers and homeowners; and

[(5) replacing units in eligible projects covered by a homeownership program.

[(d) ACQUISITION AND REHABILITATION LIMITATIONS.—Acquisition or rehabilitation of public housing projects under a homeownership program under this title may not consist of acquisition or rehabilitation of less than the whole public housing project in a project consisting of more than 1 building. The provisions of this subsection may be waived upon a finding by the Secretary that the sale of less than all the buildings in a project is feasible and will not result in a hardship to any tenants of the project who are not included in the homeownership program.

[(e) FINANCING.—

[(1) IN GENERAL.—The application shall identify and describe the proposed financing for (A) any rehabilitation, and (B) acquisition (i) of the project, where applicable, by an entity other than the public housing agency for transfer to eligible families, and (ii) by eligible families of ownership interests in,

or shares representing, units in the project. Financing may include use of the implementation grant, sale for cash, or other sources of financing (subject to applicable requirements), including conventional mortgage loans and mortgage loans insured under title II of the National Housing Act.

[(2) PROHIBITION AGAINST PLEDGES.—Property transferred under this title shall not be pledged as collateral for debt or otherwise encumbered except when the Secretary determines that—

[(A) such encumbrance will not threaten the long-term availability of the property for occupancy by low-income families;

[(B) neither the Federal Government nor the public housing agency will be exposed to undue risks related to action that may have to be taken pursuant to paragraph (3);

[(C) any debt obligation can be serviced from project income, including operating assistance; and

[(D) the proceeds of such encumbrance will be used only to meet housing standards in accordance with subsection (f) or to make such additional capital improvements as the Secretary determines to be consistent with the purposes of this title.

[(3) OPPORTUNITY TO CURE.—Any lender that provides financing in connection with a homeownership program under this subtitle shall give the public housing agency, resident management corporation, individual owner, or other appropriate entity a reasonable opportunity to cure a financial default before foreclosing on the property, or taking other action as a result of the default.

[(f) HOUSING QUALITY STANDARDS.—The application shall include a plan ensuring that the unit—

[(1) will be free from any defects that pose a danger to health or safety before transfer of an ownership interest in, or shares representing, a unit to an eligible family; and

[(2) will, not later than 2 years after the transfer to an eligible family, meet minimum housing standards established by the Secretary for the purposes of this title.

[(h) PROTECTION OF NON-PURCHASING FAMILIES.—

[(1) IN GENERAL.—No tenant residing in a dwelling unit in a public housing project on the date the Secretary approves an application for an implementation grant may be evicted by reason of a homeownership program approved under this title.

[(2) REPLACEMENT ASSISTANCE.—If the tenant decides not to purchase a unit, or is not qualified to do so, the recipient shall, during the term of any operating assistance under the implementation grant, permit each otherwise qualified tenant to continue to reside in the project at rents that do not exceed levels consistent with section 3(a) of this Act or, if an otherwise qualified tenant chooses to move (at any time during the term of such operating assistance contract), the public housing agency shall, to the extent approved in appropriations Acts, offer such tenant (A) a unit in another public housing project, or (B) section 8 assistance for use in other housing.

[(3) RELOCATION ASSISTANCE.—The recipient shall also inform each such tenant that if the tenant chooses to move, the recipient will pay relocation assistance in accordance with the approved homeownership program.

[(4) OTHER RIGHTS.—Tenants renting a unit in a project transferred under this title shall have all rights provided to tenants of public housing under this Act.

[SEC. 305. OTHER PROGRAM REQUIREMENTS.

[(a) SALE BY PUBLIC HOUSING AGENCY TO APPLICANT OR OTHER ENTITY REQUIRED.—Where the Secretary approves an application providing for the transfer of the eligible project from the public housing agency to another applicant, the public housing agency shall transfer the project to such other applicant, in accordance with the approved homeownership program.

[(b) PREFERENCES.—In selecting eligible families for homeownership, the recipient shall give a first preference to otherwise qualified current tenants and a second preference to otherwise qualified eligible families who have completed participation in an economic self-sufficiency program specified by the Secretary.

[(c) COST LIMITATIONS.—The Secretary may establish cost limitations on eligible activities under this title, subject to the provisions of this title.

[(d) ANNUAL CONTRIBUTIONS.—Notwithstanding the purchase of a public housing project under this section, or the purchase of a unit in a public housing project by an eligible family, the Secretary shall continue to pay annual contributions with respect to the project. Such contributions may not exceed the maximum contributions authorized in section 5(a).

[(e) OPERATING SUBSIDIES.—Operating subsidies under section 9 of this Act shall not be available with respect to a public housing project after the date of its sale by the public housing agency.

[(f) USE OF PROCEEDS FROM SALES TO ELIGIBLE FAMILIES.—The entity that transfers ownership interests in, or shares representing, units to eligible families, or another entity specified in the approved application, shall use the proceeds, if any, from the initial sale for costs of the homeownership program, including operating expenses, improvements to the project, business opportunities for low-income families, supportive services related to the homeownership program, additional homeownership opportunities, and other activities approved by the Secretary.

[(g) RESTRICTIONS ON RESALE BY HOMEOWNERS.—

[(1) IN GENERAL.—

[(A) TRANSFER PERMITTED.—A homeowner under a homeownership program may transfer the homeowner's ownership interest in, or shares representing, the unit, except that a homeownership program may establish restrictions on the resale of units under the program.

[(B) RIGHT TO PURCHASE.—Where a resident management corporation, resident council, or cooperative has jurisdiction over the unit, the corporation, council, or cooperative shall have the right to purchase the ownership interest in, or shares representing, the unit from the homeowner for the amount specified in a firm contract between the homeowner and a prospective buyer. If such an entity

does not have jurisdiction over the unit or elects not to purchase and if the prospective buyer is not a low-income family, the public housing agency or the implementation grant recipient shall have the right to purchase the ownership interest in, or shares representing, the unit for the same amount.

[(C) PROMISSORY NOTE REQUIRED.—The homeowner shall execute a promissory note equal to the difference between the market value and the purchase price, payable to the public housing agency or other entity designated in the homeownership plan, together with a mortgage securing the obligation of the note.

[(2) 6 YEARS OR LESS.—In the case of a transfer within 6 years of the acquisition under the program, the homeownership program shall provide for appropriate restrictions to assure that an eligible family may not receive any undue profit. The plan shall provide for limiting the family's consideration for its interest in the property to the total of—

[(A) the contribution to equity paid by the family;

[(B) the value, as determined by such means as the Secretary shall determine through regulation, of any improvements installed at the expense of the family during the family's tenure as owner; and

[(C) the appreciated value determined by an inflation allowance at a rate which may be based on a cost-of-living index, an income index, or market index as determined by the Secretary through regulation and agreed to by the purchaser and the entity that transfers ownership interests in, or shares representing, units to eligible families (or another entity specified in the approved application), at the time of initial sale, and applied against the contribution to equity.

Such an entity may, at the time of initial sale, enter into an agreement with the family to set a maximum amount which this appreciation may not exceed.

[(3) 6–20 YEARS.—In the case of a transfer during the period beginning 6 years after the acquisition and ending 20 years after the acquisition, the homeownership program shall provide for the recapture by the Secretary or the program of an amount equal to the amount of the declining balance on the note described in paragraph (1)(C).

[(4) USE OF RECAPTURED FUNDS.—Fifty percent of any portion of the net sales proceeds that may not be retained by the homeowner under the plan approved pursuant to this subsection shall be paid to the entity that transferred ownership interests in, or shares representing, units to eligible families, or another entity specified in the approved application, for use for improvements to the project, business opportunities for low-income families, supportive services related to the homeownership program, additional homeownership opportunities, and other activities approved by the Secretary. The remaining 50 percent shall be returned to the Secretary for use under this subtitle, subject to limitations contained in appropriations Acts. Such entity shall keep and make available to the Sec-

retary all records necessary to calculate accurately payments due the Secretary under this subsection.

[(h) THIRD PARTY RIGHTS.—The requirements under this title regarding quality standards, resale, or transfer of the ownership interest of a homeowner shall be judicially enforceable against the grant recipient with respect to actions involving rehabilitation, and against purchasers of property under this subsection or their successors in interest with respect to other actions by affected low-income families, resident management corporations, resident councils, public housing agencies, and any agency, corporation, or authority of the United States Government. The parties specified in the preceding sentence shall be entitled to reasonable attorney fees upon prevailing in any such judicial action.

[(i) DOLLAR LIMITATION ON ECONOMIC DEVELOPMENT ACTIVITIES.—Not more than an aggregate of $250,000 from amounts made available under sections 302 and 303 may be used for economic development activities under sections 302(b)(6) and 303(b)(9) for any project.

[(j) TIMELY HOMEOWNERSHIP.—Recipients shall transfer ownership of the property to tenants within a specified period of time that the Secretary determines to be reasonable. During the interim period when the property continues to be operated and managed as rental housing, the recipient shall utilize written tenant selection policies and criteria that are consistent with the public housing program and that are approved by the Secretary as consistent with the purpose of improving housing opportunities for low-income families. The recipient shall promptly notify in writing any rejected applicant of the grounds for any rejection.

[(k) CAPABILITY OF RESIDENT MANAGEMENT CORPORATIONS AND RESIDENT COUNCILS.—To be eligible to receive a grant under section 303, a resident management corporation or resident council shall demonstrate to the Secretary its ability to manage public housing by having done so effectively and efficiently for a period of not less than 3 years or by arranging for management by a qualified management entity.

[(l) RECORDS AND AUDIT OF RECIPIENTS OF ASSISTANCE.—

[(1) IN GENERAL.—Each recipient shall keep such records as may be reasonably necessary to fully disclose the amount and the disposition by such recipient of the proceeds of assistance received under this title (and any proceeds from financing obtained in accordance with subsection (b) or sales under subsections (f) and (g)(4)), the total cost of the homeownership program in connection with which such assistance is given or used, and the amount and nature of that portion of the program supplied by other sources, and such other sources as will facilitate an effective audit.

[(2) ACCESS BY THE SECRETARY.—The Secretary shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this title.

[(3) ACCESS BY THE COMPTROLLER GENERAL.—The Comptroller General of the United States, or any of the duly authorized representatives of the Comptroller General, shall also have access for the purpose of audit and examination to any books,

documents, papers, and records of the recipient that are pertinent to assistance received under this title.

[SEC. 306. DEFINITIONS.

[For purposes of this title:

[(1) The term "applicant" means the following entities that may represent the tenants of the project:

[(A) A public housing agency (including an Indian housing authority).

[(B) A resident management corporation, established in accordance with requirements of the Secretary under section 20.

[(C) A resident council.

[(D) A cooperative association.

[(E) A public or private nonprofit organization.

[(F) A public body, including an agency or instrumentality thereof.

[(2) The term "eligible family" means—

[(A) a family or individual who is a tenant in the public or Indian housing project on the date the Secretary approves an implementation grant;

[(B) a low-income family; or

[(C) a family or individual who is assisted under a housing program administered by the Secretary or the Secretary of Agriculture (not including any non-low income families assisted under any mortgage insurance program administered by either Secretary).

[(3) The term "homeownership program" means a program for homeownership meeting the requirements under this title.

[(4) The term "recipient" means an applicant approved to receive a grant under this title or such other entity specified in the approved application that will assume the obligations of the recipient under this title.

[(5) The term "resident council" means any incorporated nonprofit organization or association that—

[(A) is representative of the tenants of the housing;

[(B) adopts written procedures providing for the election of officers on a regular basis; and

[(C) has a democratically elected governing board, elected by the tenants of the housing.

[SEC. 307. RELATIONSHIP TO OTHER HOMEOWNERSHIP OPPORTUNITIES.

[The program authorized under this title shall be in addition to any other public housing homeownership and management opportunities, including opportunities under section 5(h) and title II of this Act.

[SEC. 308. LIMITATION ON SELECTION CRITERIA.

[In establishing criteria for selecting applicants to receive assistance under this title, the Secretary may not establish any selection criterion or criteria that grant or deny such assistance to an applicant (or have the effect of granting or denying assistance) based on the implementation, continuation, or discontinuation of any public policy, regulation, or law of any jurisdiction in which the applicant or project is located.

[SEC. 309. ANNUAL REPORT.

[The Secretary shall annually submit to the Congress a report setting forth—

[(1) the number, type, and cost of public housing units sold pursuant to this title;

[(2) the income, race, gender, children, and other characteristics of families participating (or not participating) in homeownership programs funded under this title;

[(3) the amount and type of financial assistance provided under and in conjunction with this title;

[(4) the amount of financial assistance provided under this title that was needed to ensure continued affordability and meet future maintenance and repair costs; and

[(5) the recommendations of the Secretary for statutory and regulatory improvements to the program.]

HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

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TITLE II—ASSISTED HOUSING

* * * * * * *

[LOW-INCOME HOUSING FOR THE ELDERLY OR HANDICAPPED

[SEC. 209. The Secretary shall consult the Secretary of Health and Human Services to insure that special projects for elderly or disabled families authorized pursuant to United States Housing Act of 1937 shall meet acceptable standards of design and shall provide quality services and management consistent with the needs of the occupants. Such projects shall be specifically designed and equipped with such "related facilities" (as defined in section 202(d)(8) of the Housing Act of 1959) as may be necessary to accommodate the special environmental needs of the intended occupants and shall be in support of and supported by the applicable State plans for comprehensive services pursuant to section 134 of the Mental Retardation Facilities and Community Mental Health Center Construction Act of 1963 or State and area plans pursuant to title III of the Older Americans Act of 1965.]

* * * * * * *

[LOCAL HOUSING ASSISTANCE PLANS; ALLOCATION OF HOUSING FUNDS

[SEC. 213. (a)(1) The Secretary of Housing and Urban Development, upon receiving an application for housing assistance under the United States Housing Act of 1937, section 101 of the Housing and Urban Development Act of 1965, or if the unit of general local government in which the proposed assistance is to be provided has an approved housing assistance plan, shall—

[(A) not later than ten days after receipt of the application, notify the chief executive officer of such unit of general local government that such application is under consideration; and

[(B) afford such unit of general local government, the opportunity, during the thirty-day period beginning on the date of such notification, to object to the approval of the application on the grounds that the application is inconsistent with its housing assistance plan.

Upon receiving an application for such housing assistance, the Secretary shall assure that funds made available under this section shall be utilized to the maximum extent practicable to meet the needs and goals identified in the unit of local government's housing assistance plan.

[(2) If the unit of general local government objects to the application on the grounds that it is inconsistent with its housing assistance plan, the Secretary may not approve the application unless he determines that the application is consistent with such housing assistance plan. If the Secretary determines, that such application is consistent with the housing assistance plan, he shall notify the chief executive officer of the unit of general local government of his determination and the reasons therefor in writing. If the Secretary concurs with the objection of the unit of local government, he shall notify the applicant stating the reason therefor in writing.

[(3) If the Secretary does not receive an objection by the close of the period referred to in paragraph (1)(B), he may approve the application unless he finds it inconsistent with the housing assistance plan. If the Secretary determines that an application is inconsistent with a housing assistance plan, he shall notify the applicant stating the reasons therefor in writing.

[(4) The Secretary shall make the determinations referred to in paragraphs (2) and (3) within thirty days after he receives an objection pursuant to paragraph (1)(B) or within thirty days after the close of the period referred to in paragraph (1)(B), whichever is earlier.

[(5) As used in this section, the term "housing assistance plan" means a housing assistance plan submitted and approved under section 104 of this Act or, in the case of a unit of general local government not participating under title I of this Act, a housing plan approved by the Secretary as meeting the requirements of this section. In developing a housing assistance plan under this paragraph a unit of general local government shall consult with local public agencies involved in providing for the welfare of children to determine the housing needs of (A) families identified by the agencies as having a lack of adequate housing that is a primary factor in the imminent placement of a child in foster care or in preventing the discharge of a child from foster care and reunification with his or her family; and (B) children who, upon discharge of the child from foster care, cannot return to their family or extended family and for which adoption is not available. The unit of general local government shall include in the housing assistance plan needs and goals with respect to such families and children.

[(b) The provisions of subsection (a) shall not apply to—

[(1) applications for assistance involving 12 or fewer units in a single project or development;

[(2) applications for assistance with respect to housing in new community developments approved under title IV of the Housing and Urban Development Act of 1968 or title VII of the

Housing and Urban Development Act of 1970 which the Secretary determines are necessary to meet the housing requirements under such title; or

[(3) applications for assistance with respect to housing financed by loans or loan guarantees from a State or agency thereof, except that the provisions of subsection (a) shall apply where the unit of general local government in which the assistance is to be provided objects in its housing assistance plan to the exemption provided by this paragraph.

[(c) For areas in which an approved local housing assistance plan is not applicable, the Secretary shall not approve an application for housing assistance unless he determines that there is a need for such assistance, taking into consideration any applicable State housing plans, and that there is or will be available in the area public facilities and services adequate to serve the housing proposed to be assisted. The Secretary shall afford the unit of general local government in which the assistance is to be provided an opportunity, during a 30-day period following receipt of an application by him, to provide comments or information relevant to the determination required to be made by the Secretary under this subsection.

[(d)(1)(A)(i) Except as provided by subparagraph (B), the Secretary shall allocate assistance referred to in subsection (a)(1) the first time it is available for reservation on the basis of a formula that is contained in a regulation prescribed by the Secretary, and that is based on the relative needs of different States, areas, and communities, as reflected in data as to population, poverty, housing overcrowding, housing vacancies, amount of substandard housing, and other objectively measurable conditions specified in the regulation. The Secretary may allocate assistance under the preceding sentence in such a manner that each State shall receive not less than one-half of one percent of the amount of funds available for each program referred to in subsection (a)(1) in each fiscal year. In allocating assistance under this paragraph for each program of housing assistance under subsection (a)(1), the Secretary shall apply the formula, to the extent practicable, in a manner so that the assistance under the program is allocated according to the particular relative needs under the preceding sentence that are characteristic of and related to the particular type of assistance provided under the program. Assistance under section 202 of the Housing Act of 1959 shall be allocated in a manner that ensures that awards of the assistance under such section are made for projects of sufficient size to accommodate facilities for supportive services appropriate to the needs of frail elderly residents.

[(ii) Assistance under section 8(b)(1) of the United States Housing Act of 1937 shall be allocated in a manner that enables participating jurisdictions to carry out, to the maximum extent practicable, comprehensive housing affordability strategies approved in accordance with section 105 of the Cranston-Gonzalez National Affordable Housing Act. Such jurisdictions shall submit recommendations for allocating assistance under such section 8(b)(1) to the Secretary in accordance with procedures that the Secretary determines to be appropriate to permit allocations of such assistance to be made on the basis of timely and complete information. This clause

may not be construed to prevent, alter, or otherwise affect the application of the formula established pursuant to clause (i) for purposes of allocating such assistance. For purposes of this clause, the term ''participating jurisdiction'' means a State or unit of general local government designated by the Secretary to be a participating jurisdiction under title II of the Cranston-Gonzalez National Affordable Housing Act. The preceding sentence shall not apply to projects acquired from the Resolution Trust Corporation under section 21A(c) of the Federal Home Loan Bank Act.

[(B) The formula allocation requirements of subparagraph (A) shall not apply to—

[(i) assistance that is approved in appropriation Acts for use under sections 9 or 14, or the rental rehabilitation grant program under section 17, of the United States Housing Act of 1937, except that the Secretary shall comply with section 102 of the Department of Housing and Urban Development Reform Act of 1989 with respect to such assistance; or

[(ii) other assistance referred to in subsection (a) that is approved in appropriation Acts for uses that the Secretary determines are incapable of geographic allocation, including amendments of existing contracts, renewal of assistance contracts, assistance to families that would otherwise lose assistance due to the decision of the project owner to prepay the project mortgage or not to renew the assistance contract, assistance to prevent displacement or to provide replacement housing in connection with the demolition or disposition of public and Indian housing, and assistance in support of the property disposition and loan management functions of the Secretary.

[(C) Any allocation of assistance under subparagraph (A) shall, as determined by the Secretary, be made to the smallest practicable area, consistent with the delivery of assistance through a meaningful competitive process designed to serve areas with greater needs.

[(D) Any amounts allocated to a State or areas or communities within a State that are not likely to be used within a fiscal year shall not be reallocated for use in another State, unless the Secretary determines that other areas or communities (that are eligible for assistance under the program) within the same State cannot use the amounts within that same fiscal year.

[(2) Not later than sixty days after approval in an appropriation Act, the Secretary shall allocate from the amounts available for use in nonmetropolitan areas an amount of authority for assistance under section 8(d) of the United States Housing Act of 1937 determined in consultation with the Secretary of Agriculture for use in connection with section 533 of the Housing Act of 1949 during the fiscal year for which such authority is approved. The amount of assistance allocated to nonmetropolitan areas pursuant to this section in any fiscal year shall not be less than 20 nor more than 25 per centum of the total amount of the assistance that is subject to allocation under paragraph (1)(A).

[(3) The Secretary may reserve such housing assistance funds as he deems appropriate for use by a State or agency thereof.

[(4)(A) Notwithstanding any other provision of law, with respect to fiscal years beginning after September 30, 1990, the Secretary

may retain not more than 5 percent of the financial assistance that becomes available under programs described in subsection (a)(1) during any fiscal year. Any such financial assistance that is retained shall be available for subsequent allocation to specific areas and communities, and may only be used for—

[(i) unforeseen housing needs resulting from natural and other disasters;

[(ii) housing needs resulting from emergencies, as certified by the Secretary, other than such disasters;

[(iii) housing needs resulting from the settlement of litigation; and

[(iv) housing in support of desegregation efforts.

[(B) Any amounts retained in any fiscal year under subparagraph (A) that are unexpended at the end of such fiscal year shall remain available for the following fiscal year under the program under subsection (a)(1) from which the amount was retained. Such amounts shall be allocated on the basis of the formula under subsection (d)(1).

[(5)(A) The Secretary shall not reserve or obligate assistance subject to allocation under paragraph (1)(A) to specific recipients, unless the assistance is first allocated on the basis of the formula contained in that paragraph and then is reserved and obligated pursuant to a competition.

[(B) Any competition referred to in subparagraph (A) shall be conducted pursuant to specific criteria; for the selection of recipients of assistance. The criteria shall be contained in—

[(i) a regulation promulgated by the Secretary after notice and public comment; or

[(ii) to the extent authorized by law, a notice published in the Federal Register.

[(C) Subject to the times at which appropriations for assistance subject to paragraph (1)(A) may become available for reservation in any fiscal year, the Secretary shall take such steps as the Secretary deems appropriate to ensure that, to the maximum extent practicable, the process referred to in subparagraph (A) is carried out with similar frequency and at similar times for each fiscal year.

[(D) This paragraph shall not apply to assistance referred to in paragraph (4).

[(e) From budget authority made available in appropriation Acts for fiscal year 1988, the Secretary shall enter into an annual contributions contract for a term of 180 months to obligate sufficient funds to provide assistance payments pursuant to section 8(b)(1) of the United States Housing Act of 1937 on behalf of 500 lower income families from budget authority made available for fiscal year 1988, so long as such families occupy properties in the Park Central New Community Project or in adjacent areas that are recognized by the unit of general local government in which such Project is located as being included within the Park Central New Town In Town Project. If a lower income family receiving assistance payments pursuant to this subsection ceases to qualify for assistance payments pursuant to the provisions of section 8 of such Act or of this subsection during the 180-month term of the annual contributions contract, assistance payments shall be made on be-

half of another lower income family who occupies a unit identified in the previous sentence.]

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CRANSTON-GONZALEZ NATIONAL AFFORDABLE HOUSING ACT

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TITLE V—HOUSING ASSISTANCE

Subtitle A—Public and Indian Housing

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[SEC. 518. INDIAN PUBLIC HOUSING EARLY CHILDHOOD DEVELOPMENT DEMONSTRATION PROGRAM.

[(a) FUNDING.—To the extent provided in appropriation Acts, of any amounts appropriated under section 5(c) of the United States Housing Act of 1937 for fiscal year 1993 for public housing grants for Indian housing, $5,200,000 may be used to carry out the demonstration program under this section. To the extent provided in appropriation Acts, of any amounts appropriated under section 5(c) of the United States Housing Act of 1937 for fiscal year 1994 for public housing grants for Indian housing, $5,418,400 may be used to carry out the demonstration program under this section. Under the demonstration, the Secretary shall make grants to nonprofit organizations, Indian housing authorities, and Indian tribes to assist such organizations, housing authorities, and tribes in providing early childhood development services in or near low-income housing developed or operated pursuant to a contract between the Secretary of Housing and Urban Development and an Indian housing authority for low-income families who reside in such Indian public housing.

[(b) OPERATION OF DEMONSTRATION.—Except as provided in this section, the Secretary of Housing and Urban Development shall carry out the demonstration program under this section in low-income housing developed or operated pursuant to a contract between the Secretary and an Indian housing authority in the same manner as the demonstration program under section 222 of the Housing and Urban-Rural Recovery Act of 1983 is carried out. For purposes of this section, any reference to "public housing" or a "low income housing project" in section 222 of such Act is deemed to refer to low-income housing developed or operated pursuant to a contract between the Secretary and an Indian housing authority.

[(c) LIMITATIONS.—

[(1) TRIBAL DIVERSITY.—The Secretary of Housing and Urban Development shall provide that the demonstration program under this section is carried out in not more than 1 Indian public housing project for any single Indian tribe.

[(2) GEOGRAPHIC DIVERSITY.—The Secretary of Housing and Urban Development shall carry out the demonstration program under this section through various Indian housing authorities

and provide for geographic distribution among such housing authorities.

[(d) REPORT.—

[(1) IN GENERAL.—Not later than the expiration of the 3-year period beginning on the date of the enactment of this Act, the Secretary of Housing and Urban Development shall prepare and submit to the Congress a detailed report setting forth the findings and conclusions of the Secretary as a result of carrying out the demonstration program established in this section. Such report shall include any recommendations of the Secretary with respect to the establishment of a permanent program of assisting early childhood development services in or near low-income housing developed or operated pursuant to a contract between the Secretary and an Indian housing authority.

[(2) CONFORMING PROVISION.—Notwithstanding subsection (b) of this section, section 222(e) of the Housing and Urban-Rural Recovery Act of 1983 (regarding submission of a report) shall not apply to this section and the demonstration program carried out under this section.

[SEC. 519. PUBLIC HOUSING RENT WAIVER FOR POLICE OFFICERS.

[(a) AUTHORITY.—Notwithstanding any other provision of law, the Secretary of Housing and Urban Development may permit public housing agencies to allow police officers and other security personnel (who are not otherwise eligible for residence in public housing) to reside in public housing dwelling units in accordance with this section.

[(b) PLAN.—To be eligible to utilize dwelling units as provided under this section, a public housing agency shall submit to the Secretary a plan identifying the projects in which the police officers or security personnel will reside and describing the anticipated benefits from such residence.

[(c) APPROVAL.—The Secretary may approve a plan and authorize the use of dwelling units under this section only if the Secretary determines that such use will—

[(1) increase security for other public housing residents;

[(2) result in a limited loss of income to the public housing agency; and

[(3) not result in a significant reduction of units available for residence by families eligible for such residence under the provisions of the United States Housing Act of 1937.

The Secretary shall notify each public housing agency submitting a plan under subsection (b) of approval or disapproval of the plan not later than 30 days after the Secretary receives the plan.

[(d) TERMS.—Upon approving a plan under subsection (b), the Secretary shall waive the applicability of any occupancy requirements with respect to the officers or other personnel, and may permit the public housing agency submitting the plan to establish such special rent requirements and other terms and conditions of occupancy that the Secretary considers appropriate.

[SEC. 520. PUBLIC AND ASSISTED HOUSING YOUTH SPORTS PROGRAMS.

[(a) PUBLIC HOUSING YOUTH SPORTS PROGRAM GRANTS.—From amounts provided for public and assisted housing drug elimination grants under section 5130(a) of the Anti-Drug Abuse Act of 1988, the Secretary of Housing and Urban Development may make grants to qualified entities under subsection (b) to carry out youth sports programs for residents of projects of public housing agencies with substantial drug problems.

[(b) ENTITIES QUALIFIED TO RECEIVE GRANTS.—Grants under this section may be made only to—

[(1) States;

[(2) units of general local government;

[(3) local park and recreation districts and agencies;

[(4) public housing agencies;

[(5) nonprofit organizations and institutions of higher learning providing youth sports services programs;

[(6) Indian tribes;

[(7) Indian housing authorities; and

[(8) institutions of higher learning that have never participated in a youth sports program assisted under this section.

[(c) USE OF GRANTS.—

[(1) PUBLIC HOUSING SITES WITH SUBSTANTIAL DRUG PROBLEMS.—Grants under this section shall be used for youth sports programs only with respect to public housing sites that the Secretary determines have a substantial problem regarding the use or sale of illegal drugs.

[(2) YOUTH SPORTS PROGRAM ELIGIBILITY.—To be eligible to receive assistance from a grant under this section, a youth sports program shall be designed and organized as follows:

[(A) The sports program shall serve primarily youths from the public housing project in which the program assisted by the grant is operated.

[(B) The sports program shall provide positive sports activities or positive cultural, recreational, or other activities, designed to appeal to youths as alternatives to the drug environment in the public housing project.

[(C) The sports program shall be operated as, in conjunction with, or in furtherance of, an organized program or plan designed to eliminate drugs and drug-related problems in the public housing project or projects within the public housing agency.

[(3) MIDNIGHT BASKETBALL LEAGUE PROGRAMS.—Notwithstanding any other provision of this subsection and subsection (d), a grant under this section may be used to carry out any youth sports program that meets the requirements of a midnight basketball league program under subsection (l)(4) (not including subparagraph (B) of such subsection) if the program serves primarily youths and young adults from the public housing project in which the program assisted by the grant is operated.

[(d) ELIGIBLE ACTIVITIES.—Any qualified entity that receives a grant under this section may use amounts from the grant to assist

in carrying out a youth sports program in any of the following manners:

[(1) Acquisition, construction, or rehabilitation of community centers, parks, or playgrounds.

[(2) Redesigning or modifying public spaces in public housing projects to provide increased utilization of the areas by youth sports programs.

[(3) Provision of public services, including salaries and expenses for staff of youth sports programs, cultural activities, transportation costs, educational programs relating to drug abuse, and sports and recreation equipment.

[(4) In the case only of an eligible entity described in subsection (b)(8), any transportation costs in connection with the program.

[(e) GRANT AMOUNT LIMITATIONS.—

[(1) MATCHING AMOUNT.—The Secretary may not make a grant to any qualified entity that applies for a grant under subsection (f) unless the applicant entity certifies to the Secretary, as the Secretary shall require, that the applicant will supplement the amount provided by the grant with an amount of funds from non-Federal sources equal to or greater than 50 percent of the amount provided by the grant.

[(2) NON-FEDERAL FUNDS.—For purposes of this subsection, the term ''funds from non-Federal sources'' includes funds from States, units of general local governments, or agencies of such governments, Indian tribes, private contributions, any salary paid to staff to carry out the youth sports program of the recipient, the value of the time and services contributed by volunteers to carry out the program of the recipient at a rate determined by the Secretary, the value of any donated material, equipment, or building, and the value of any lease on a building.

[(3) PROHIBITION OF SUBSTITUTION OF FUNDS.—Neither amounts received from grants under this section nor any State or local government funds used to supplement such amounts may be used to replace other public funds previously used, or designated for use, for the purposes under this Act.

[(4) MAXIMUM ANNUAL GRANT AMOUNT.—For any single fiscal year, the Secretary may not award grants under this section for carrying out a youth sports program with respect to any single public housing project in an amount exceeding $125,000.

[(f) APPLICATIONS.—To be eligible to receive a grant under this section, a qualified entity under subsection (b) shall submit to the Secretary an application as the Secretary may require, which shall include the following:

[(1) A description of the organization of the youth sports program.

[(2) A description of the nature of services provided by the youth sports program.

[(3) An estimate of the number of youth involved.

[(4) A description of the extent of involvement of local sports organizations or sports figures.

[(5) A description of the facilities used.

[(6) A description of plans to continue the youth sports program in the future.

[(7) A statement regarding the extent to which the youth sports program meets the criteria for selection under subsection (g).

[(8) A description of the planned schedule and activities of the youth sports program and the financial and other resources committed to each activity and service of the program.

[(9) A budget describing the share of the costs of the youth sports program provided by the grant under this section and other sources of funds, including funds required under subsection (e)(1).

[(10) Any other information that the Secretary may require.

[(g) SELECTION CRITERIA.—The Secretary shall select qualified entities that have applied under subsection (f) to receive grants under this section pursuant to a competition based on the following criteria:

[(1) The extent to which the youth sports program to be assisted with the grant addresses the particular needs of the area to be served by the program and employs methods, approaches, or ideas in the design or implementation of the program particularly suited to fulfilling such needs (whether such methods are conventional or unique and innovative).

[(2) The technical merit of the application of the qualified entity.

[(3) The qualifications, capabilities, and experience of the personnel and staff of the sports program who are critical to achieving the objectives of the program as described in the application.

[(4) The capabilities, related experience, facilities, techniques of the applicant for carrying out the youth sports program and achieving the objectives of the program as described in the application and the potential of the applicant for continuing the youth sports program.

[(5) The severity of the drug problem at the local public housing site for the youth sports program and the extent of any planned or actual efforts to rid the site of the problem.

[(6) The extent to which local sports organizations or sports figures are involved.

[(7) The extent of the support of the public housing agency for the program, coordination of proposed activities with local resident management groups or associations (where such groups exist) and coordination of proposed activities with ongoing programs of the applicant that further the purposes of this section.

[(8) The extent of non-Federal contributions that exceed the amount of such funds required under subsection (e)(1).

[(9) In the case of a qualified entity under paragraph (3) or (4) of subsection (b), the extent to which the applicant has demonstrated local government support for the program.

[(h) REPORT.—Each qualified entity that receives a grant under this section shall submit to the Secretary, not later than the expiration of the 90-day period beginning on the date on which the

grant amounts provided under this section are fully expended, a report describing the activities carried out with the grant.

[(i) DEFINITIONS.—For purposes of this section:

[(1) INDIAN TRIBE.—The term "Indian tribe" has the meaning given such term in section 102(a)(17) of the Housing and Community Development Act of 1974.

[(2) PUBLIC HOUSING AGENCY.—The term "public housing agency" has the meaning given the term in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)).

[(3) PUBLIC HOUSING PROJECT.—The terms "project" and "public housing" have the meanings given the terms in section 3(6) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)).

[(4) QUALIFIED ENTITY.—The term "qualified entity" means an entity eligible under subsection (b) to apply for and receive a grant under this section.

[(5) STATE.—The term "State" means the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States.

[(6) UNIT OF GENERAL LOCAL GOVERNMENT.—The term "unit of general local government" means any city, town, township, county, parish, village, or other general purpose political subdivision of a State.

[(7) SECRETARY.—The term "Secretary" means the Secretary of Housing and Urban Development.

[(j) REGULATIONS.—The Secretary shall issue any regulations necessary to carry out this section.

[(k) AUTHORIZATION OF APPROPRIATIONS.—Section 5129 of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11908), as amended by the preceding provisions of this Act, is further amended by inserting after the first sentence the following new sentence: * * *

[(l) MIDNIGHT BASKETBALL LEAGUE TRAINING AND PARTNERSHIP PROGRAMS.—

[(1) AUTHORITY.—The Secretary shall make grants, to the extent that amounts are approved in appropriations Acts under paragraph (13), to—

[(A) eligible entities to assist such entities in carrying out midnight basketball league programs meeting the requirements of paragraph (4); and

[(B) eligible advisory entities to provide technical assistance to eligible entities in establishing and operating such midnight basketball league programs.

[(2) ELIGIBLE ENTITIES.—

[(A) IN GENERAL.—Subject to subparagraph (B), grants under paragraph (1)(A) may be made only to the following eligible entities:

[(i) Entities eligible under subsection (b) for a grant under subsection (a).

[(ii) Nonprofit organizations providing employment counseling, job training, or other educational services.

[(iii) Nonprofit organizations providing federally assisted low-income housing.

[(B) PROHIBITION ON SECOND GRANTS.—A grant under paragraph (1)(A) may not be made to an eligible entity if the entity has previously received a grant under such paragraph, except that the Secretary may exempt an eligible advisory entity from the prohibition under this subparagraph in extraordinary circumstances.

[(3) USE OF GRANT AMOUNTS.—Any eligible entity that receives a grant under paragraph (1)(A) may use such amounts only—

[(A) to establish or carry out a midnight basketball league program under paragraph (4);

[(B) for salaries for administrators and staff of the program;

[(C) for other administrative costs of the program, except that not more than 5 percent of the grant amount may be used for such administrative costs; and

[(D) for costs of training and assistance provided under paragraph (4)(I).

[(4) PROGRAM REQUIREMENTS.—Each eligible entity receiving a grant under paragraph (1)(A) shall establish a midnight basketball league program as follows:

[(A) The program shall establish a basketball league of not less than 8 teams having 10 players each.

[(B) Not less than 50 percent of the players in the basketball league shall be residents of federally assisted low-income housing or members of low-income families (as such term is defined in section 3(b) of the United States Housing Act of 1937).

[(C) The program shall be designed to serve primarily youths and young adults from a neighborhood or community whose population has not less than 2 of the following characteristics (in comparison with national averages):

[(i) A substantial problem regarding use or sale of illegal drugs.

[(ii) A high incidence of crimes committed by youths or young adults.

[(iii) A high incidence of persons infected with the human immunodeficiency virus or sexually transmitted diseases.

[(iv) A high incidence of pregnancy or a high birth rate, among adolescents.

[(v) A high unemployment rate for youths and young adults.

[(vi) A high rate of high school drop-outs.

[(D) The program shall require each player in the league to attend employment counseling, job training, and other educational classes provided under the program, which shall be held immediately following the conclusion of league basketball games at or near the site of the games and at other specified times.

[(E) The program shall serve only youths and young adults who demonstrate a need for such counseling, train-

ing, and education provided by the program, in accordance with criteria for demonstrating need, which shall be established by the Secretary, in consultation with the Advisory Committee.

[(F) The majority of the basketball games of the league shall be held between the hours of 10:00 p.m. and 2:00 a.m. at a location in the neighborhood or community served by the program.

[(G) The program shall obtain sponsors for each team in the basketball league. Sponsors shall be private individuals or businesses in the neighborhood or community served by the program who make financial contributions to the program and participate in or supplement the employment, job training, and educational services provided to the players under the program with additional training or educational opportunities.

[(H) The program shall comply with any criteria established by the Secretary, in consultation with the Advisory Committee established under paragraph (9).

[(I) Administrators or organizers of the program shall receive training and technical assistance provided by eligible advisory entities receiving grants under paragraph (8).

[(5) GRANT AMOUNT LIMITATIONS.—

[(A) PRIVATE CONTRIBUTIONS.—The Secretary may not make a grant under paragraph (1)(A) to an eligible entity that applies for a grant under paragraph (6) unless the applicant entity certifies to the Secretary that the entity will supplement the grant amounts with amounts of funds from non-Federal sources, as follows:

[(i) In each of the first 2 years that amounts from the grant are disbursed (under subparagraph (E)), an amount sufficient to provide not less than 35 percent of the cost of carrying out the midnight basketball league program.

[(ii) In each of the last 3 years that amounts from the grant are disbursed, an amount sufficient to provide not less than 50 percent of the cost of carrying out the midnight basketball league program.

[(B) NON-FEDERAL FUNDS.—For purposes of this paragraph, the term "funds from non-Federal sources" includes amounts from nonprofit organizations, public housing agencies, States, units of general local government, and Indian housing authorities, private contributions, any salary paid to staff (other than from grant amounts under paragraph (1)(A)) to carry out the program of the eligible entity, in-kind contributions to carry out the program (as determined by the Secretary after consultation with the Advisory Committee), the value of any donated material, equipment, or building, the value of any lease on a building, the value of any utilities provided, and the value of any time and services contributed by volunteers to carry out the program of the eligible entity.

[(C) PROHIBITION ON SUBSTITUTION OF FUNDS.—Grant amounts under paragraph (1)(A) and amounts provided by

States and units of general local government to supplement grant amounts may not be used to replace other public funds previously used, or designated for use, under this section.

[(D) MAXIMUM AND MINIMUM GRANT AMOUNTS.—

[(i) IN GENERAL.—The Secretary may not make a grant under paragraph (1)(A) to any single eligible entity in an amount less than $55,000 or exceeding $130,000, except as provided in clause (ii).

[(ii) EXCEPTION FOR LARGE LEAGUES.—In the case of a league having more than 80 players, a grant under paragraph (1)(A) may exceed $130,000, but may not exceed the amount equal to 35 percent of the cost of carrying out the midnight basketball league program.

[(E) DISBURSEMENT.—Amounts provided under a grant under paragraph (1)(A) shall be disbursed to the eligible entity receiving the grant over the 5-year period beginning on the date that the entity is selected to receive the grant, as follows:

[(i) In each of the first 2 years of such 5-year period, 23 percent of the total grant amount shall be disbursed to the entity.

[(ii) In each of the last 3 years of such 5-year period, 18 percent of the total grant amount shall be disbursed to the entity.

[(6) APPLICATIONS.—To be eligible to receive a grant under paragraph (1)(A), an eligible entity shall submit to the Secretary an application in the form and manner required by the Secretary (after consultation with the Advisory Committee), which shall include—

[(A) a description of the midnight basketball league program to be carried out by the entity, including a description of the employment counseling, job training, and other educational services to be provided;

[(B) letters of agreement from service providers to provide training and counseling services required under paragraph (4) and a description of such service providers;

[(C) letters of agreement providing for facilities for basketball games and counseling, training, and educational services required under paragraph (4) and a description of the facilities;

[(D) a list of persons and businesses from the community served by the program who have expressed interest in sponsoring, or have made commitments to sponsor, a team in the midnight basketball league; and

[(E) evidence that the neighborhood or community served by the program meets the requirements of paragraph (4)(C).

[(7) SELECTION.—The Secretary, in consultation with the Advisory Committee, shall select eligible entities that have submitted applications under paragraph (6) to receive grants under paragraph (1)(A). The Secretary, in consultation with the Advisory Committee, shall establish criteria for selection of applicants to receive such grants. The criteria shall include a

preference for selection of eligible entities carrying out midnight basketball league programs in suburban and rural areas.

[(8) TECHNICAL ASSISTANCE GRANTS.—Technical assistance grants under paragraph (1)(B) shall be made as follows:

[(A) ELIGIBLE ADVISORY ENTITIES.—Technical assistance grants may be made only to entities that—

[(i) are experienced and have expertise in establishing, operating, or administering successful and effective programs for midnight basketball and employment, job training, and educational services similar to the programs under paragraph (4); and

[(ii) have provided technical assistance to other entities regarding establishment and operation of such programs.

[(B) USE.—Amounts received under technical assistance grants shall be used to establish centers for providing technical assistance to entities receiving grants under paragraph (1)(A) of this subsection and subsection (a) regarding establishment, operation, and administration of effective and successful midnight basketball league programs under this subsection and subsection (c)(3).

[(C) NUMBER AND AMOUNT.—To the extent that amounts are provided in appropriations Acts under paragraph (13)(B) in each fiscal year, the Secretary shall make technical assistance grants under paragraph (1)(B). In each fiscal year that such amounts are available the Secretary shall make 4 such grants, as follows:

[(i) 2 grants shall be made to eligible advisory entities for development of midnight basketball league programs in public housing projects.

[(ii) 2 grants shall be made to eligible advisory entities for development of midnight basketball league programs in suburban or rural areas.

[(iii) Each grant shall be in an amount not exceeding $25,000.

[(9) ADVISORY COMMITTEE.—The Secretary of Housing and Urban Development shall appoint an Advisory Committee to assist the Secretary in providing grants under this subsection. The Advisory Committee shall be composed of not more than 7 members, as follows:

[(A) Not less than 2 individuals who are involved in managing or administering midnight basketball programs that the Secretary determines have been successful and effective. Such individuals may not be involved in a program assisted under this subsection or a member or employee of an eligible advisory entity that receives a technical assistance grant under paragraph (1)(B).

[(B) A representative of the Center for Substance Abuse Prevention of the Public Health Service, Department of Health and Human Services, who is involved in administering the grant program for prevention, treatment, and rehabilitation model projects for high risk youth under section 509A of the Public Health Service Act (42 U.S.C.

290aa–8), who shall be selected by the Secretary of Health and Human Services.

[(C) A representative of the Department of Education, who shall be selected by the Secretary of Education.

[(D) A representative of the Department of Health and Human Services, who shall be selected by the Secretary of Health and Human Services from among officers and employees of such Department involved in issues relating to high-risk youth.

[(10) REPORTS.—The Secretary shall require each eligible entity receiving a grant under paragraph (1)(A) and each eligible advisory entity receiving a grant under paragraph (1)(B) to submit to the Secretary, for each year in which grant amounts are received by the entity, a report describing the activities carried out with such amounts.

[(11) STUDY.—To the extent amounts are provided under appropriation Acts pursuant to paragraph (13)(C), the Secretary shall make a grant to one entity qualified to carry out a study under this paragraph. The entity shall use such grant amounts to carry out a scientific study of the effectiveness of midnight basketball league programs under paragraph (4) of eligible entities receiving grants under paragraph (1)(A). The Secretary shall require such entity to submit a report describing the study and any conclusions and recommendations resulting from the study to the Congress and the Secretary not later than the expiration of the 2-year period beginning on the date that the grant under this paragraph is made.

[(12) DEFINITIONS.—For purposes of this subsection:

[(A) The term ''Advisory Committee'' means the Advisory Committee established under paragraph (9).

[(B) The term ''eligible advisory entity'' means an entity meeting the requirements under paragraph (8)(A).

[(C) The term ''eligible entity'' means an entity described under paragraph (2)(A).

[(D) The term ''federally assisted low-income housing'' has the meaning given the term in section 5126 of the Public and Assisted Housing Drug Elimination Act of 1990.

[(E) The term ''Secretary'' unless otherwise specified, means the Secretary of Housing and Urban Development.

[(13) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated—

[(A) for grants under paragraph (1)(A), $2,650,000 in each of fiscal years 1994 and 1995;

[(B) for technical assistance grants under paragraph (1)(B), $100,000 in each of fiscal years 1994 and 1995; and

[(C) for a study grant under paragraph (11), $250,000 in fiscal year 1994.

[SEC. 521. PUBLIC HOUSING ONE-STOP PERINATAL SERVICES DEMONSTRATION.

[(a) ESTABLISHMENT OF DEMONSTRATION PROGRAM.—

[(1) IN GENERAL.—The Secretary of Housing and Urban Development, in consultation with the Secretary of Health and Human Services, shall carry out a program to demonstrate the

effectiveness of providing grants to public housing agencies to assist such agencies in providing facilities for making one-stop perinatal services programs (as defined in subsection (e)(1)) available for pregnant women who reside in public housing. Under the demonstration program, the Secretary shall make grants to not more than 10 public housing agencies.

[(2) CONSULTATION REQUIREMENTS.—In carrying out the demonstration program under this section, the Secretary shall consult with the heads of other appropriate Federal agencies.

[(b) ALLOCATION OF ASSISTANCE.—

[(1) PREFERENCES.—In selecting public housing agencies for grants under this section, the Secretary shall give preference to the following public housing agencies:

[(A) AREAS WITH HIGH INFANT MORTALITY RATES.—Public housing agencies serving areas with high infant mortality rates.

[(B) SECURE FACILITIES.—Public housing agencies that demonstrate, to the satisfaction of the Secretary, that security will be provided so that women are safe when participating in the one-stop perinatal services program carried out at the facilities provided or assisted under this section.

[(2) LIMITATION ON GRANT AMOUNT.—The aggregate amount provided under this section for any public housing project may not exceed $15,000.

[(c) DEMONSTRATION PROGRAM REQUIREMENTS.—

[(1) APPLICATIONS.—Applications for grants under this section shall be made by public housing agencies in accordance with procedures established by the Secretary and shall include a description of the one-stop perinatal services program to be provided in the facilities provided or assisted under this section.

[(2) USE OF GRANTS.—Any public housing agency receiving a grant under this section may use the grant only for the costs of providing facilities and minor renovations of facilities necessary to make one-stop perinatal services programs available to pregnant women who reside in public housing.

[(3) REPORTS TO SECRETARY.—Each public housing agency receiving a grant under this section for any fiscal year shall submit to the Secretary, not later than 3 months after the end of such fiscal year, a report describing the facilities provided by the public housing agency under this section and the one-stop perinatal services program carried out in such facilities. The report shall include data on the size of the facilities, the costs and extent of any renovations, the previous use of the facilities, the number of women assisted by the program, the trimester of the pregnancy of the women at the time of initial assistance, infant birthweight, infant mortality rate, and other relevant information.

[(4) APPLICABLE STANDARDS.—No provision of this section may be construed to authorize the Secretary to establish any health, safety, or other standards with respect to the services provided by the one-stop perinatal services program or facilities provided or assisted with grants received under this sec-

tion. Such services and facilities shall comply with all applicable State and local laws, regulations, and ordinances, and all requirements established by the Secretary of Health and Human Services for such services and facilities.

[(d) REPORT TO CONGRESS.—Not later than 1 year after the date that amounts to carry out this section are first made available under appropriations Acts, the Secretary shall prepare and submit to the Congress a comprehensive report setting forth the findings and conclusions of the Secretary as a result of carrying out the demonstration program under this section. The report shall include any recommendations of the Secretary with respect to the establishment of a permanent program of providing facilities in public housing for making perinatal services available to pregnant women who reside in the public housing.

[(e) DEFINITIONS.—For purposes of this section:

[(1) ONE-STOP PERINATAL SERVICES PROGRAM.—The term "one-stop perinatal services program" means a program to provide a wide range of services for pregnant and new mothers in a coordinated manner at a drop-in center, which may include any of the following:

[(A) INFORMATION AND EDUCATION.—Information and education for pregnant women regarding perinatal care services, and related services and resources, necessary to decrease infant mortality and disability.

[(B) HEALTH CARE SERVICES.—Basic health care services that can be provided without a physician present.

[(C) REFERRAL.—Basic health screening of pregnant women and referrals for health care services.

[(D) FOLLOWUP.—Followup assessment of women and infants (including measurement of weight) and referrals for health care services and related services and resources.

[(E) SOCIAL WORKER.—Information and assistance regarding Federal and State social services provided by a social worker.

[(F) OTHER.—Any other services to assist pregnant or new mothers.

[(2) PUBLIC HOUSING.—The terms "public housing" and "public housing agency" have the meanings given such terms in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)).

[(3) SECRETARY.—The term "Secretary" means the Secretary of Housing and Urban Development.

[(f) REGULATIONS.—The Secretary shall issue any regulations necessary to carry out this section.

[(g) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for carrying out the demonstration program under this section $200,000 for fiscal year 1993 and $208,400 for fiscal year 1994.

[SEC. 522. PUBLIC HOUSING MIXED INCOME NEW COMMUNITIES STRATEGY DEMONSTRATION.

[(a) ESTABLISHMENT OF DEMONSTRATION PROGRAM.—

[(1) IN GENERAL.—The Secretary of Housing and Urban Development shall carry out a program to demonstrate the effectiveness of promoting the revitalization of troubled urban com-

munities through the provision of public housing in socio-economically mixed settings combined with the innovative use of public housing operating subsidies to stimulate the development of new affordable housing in such communities.

[(2) COMPREHENSIVE SERVICES.—Housing units provided under the demonstration program under this section shall be made available in connection with a comprehensive program of services and incentives under subsections (h) and (i), in order to prepare participating families for successful transition to the private rental housing market and homeownership within a reasonable period of time.

[(b) COORDINATING COMMITTEE.—

[(1) ESTABLISHMENT.—For a public housing agency to be eligible for designation or selection under subsection (d) for participation in the demonstration program, the chief executive officer of each unit of general local government in which the public housing agency is located shall appoint a coordinating committee under this paragraph. The coordinating committee shall participate in developing a plan for implementing the demonstration program, review, monitor, and make recommendations for improvements in activities under the demonstration program, and ensure the coordination and delivery of services under subsection (h).

[(2) MEMBERSHIP.—Each coordinating committee shall be composed of 12 members, who shall include, but may not be limited to, the following individuals:

[(A) A representative of the chief executive officer of the applicable unit of general local government.

[(B) A representative of the applicable public housing agency.

[(C) A representative of the regional administrator of the Department of Housing and Urban Development.

[(D) A representative of a local resident management corporation.

[(E) Not less than 1 individual affiliated with a local agency that administers programs in 1 of the following areas: health, human services, substance abuse, education, economic and business development, law enforcement, and housing.

[(F) A representative from among local businesses engaged in housing and real estate.

[(G) A representative from among business engaged in real estate financing.

[(3) SOCIAL SERVICE COMMITTEES.—Each coordinating committee established under this subsection shall establish a subcommittee on social services, which shall, before any action is taken under subsection (e)(1) (with respect to the demonstration program as carried out by the applicable public housing agency), identify the specific services that are required to successfully carry out the demonstration program.

[(c) INTERAGENCY COOPERATION.—The Secretary shall coordinate with the appropriate heads of other Federal agencies as necessary to coordinate the implementation of the demonstration program

and endeavor to ensure the delivery of supportive services required under subsection (h).

[(d) SCOPE OF DEMONSTRATION PROGRAM.—

[(1) PARTICIPATING PUBLIC HOUSING AGENCIES.—The Secretary shall carry out the demonstration program with respect to public housing for families administered by the Housing Authority of the City of Chicago, in the State of Illinois. The Secretary may also carry out the demonstration program with respect to public housing administered by not more than 3 other public housing agencies.

[(2) PARTICIPATING PUBLIC HOUSING UNITS.—Over the term of the demonstration, the demonstration may be applied to not more than 15 percent of the total number of public housing units for families administered by each participating public housing agency.

[(3) NONDISPLACEMENT.—No person who is a tenant of public housing during the term of the demonstration program may be involuntarily relocated or displaced under the demonstration program.

[(e) HOUSING DEVELOPMENT.—

[(1) USE OF PUBLIC HOUSING OPERATING SUBSIDIES.—For the purpose of providing reasonable and necessary operating costs in connection with the development of additional affordable housing, under the demonstration program the Secretary shall amend the annual contributions contract between the Secretary and each participating public housing agency as the Secretary determines appropriate to permit the public housing agency to utilize operating subsidy amounts allocated to the agency under section 9 of the United States Housing Act of 1937 with respect to newly constructed or rehabilitated housing units that are privately developed and owned. Such units shall be reserved for use under the demonstration program for occupancy by very low-income families as provided under this subsection and subsection (g).

[(2) LEASE TERMS.—Operating subsidy amounts shall be provided for the operation of housing under paragraph (1) pursuant to a lease contract between the owner of the housing and the public housing agency, which shall specify—

[(A) the number of units to be leased exclusively to the public housing agency for the term of the demonstration program, subject only to the availability of amounts under paragraph (1) or other funds for such purposes; and

[(B) the requirements under subsection (f)(6).

[(3) TRANSFER OF AMOUNTS.—Operating subsidy amounts may be provided for a unit of housing under paragraph (1) only after the execution of a lease under subsection (f)(5) for 1 corresponding public housing unit.

[(4) RENTAL TERMS.—Units leased by a participating public housing agency under this subsection shall be available only to very low-income families that reside, or have been offered a unit, in public housing administered by the public housing agency and that enter into a voluntary contract under subsection (g)(1). The rental charge for each unit shall be the amount equal to 30 percent of the adjusted income of the resi-

dent family (as determined under section 3(b) of the United States Housing Act of 1937), except that the rental charge may not exceed a ceiling rent determined by the public housing agency in the manner that monthly rent is determined under section 3(a)(2)(A) of such Act.

[(5) INCOME MIX.—Not more than 25 percent of the units in each privately developed housing project under the demonstration program may be leased by a public housing agency pursuant to a lease contract under paragraph (2). The number of units under each such lease may not be less than the number of public housing units that, notwithstanding the demonstration program, would have been assisted with the operating subsidy amounts made available under such contract, to ensure that there shall be no loss of public housing units.

[(6) COORDINATION WITH OTHER ENTITIES FOR DEVELOPMENT OF HOUSING.—A participating public housing agency may seek the cooperation and receive assistance from State, county, and local governments and the private sector to develop housing for use under this subsection. Such assistance may include, but is not limited to—

[(A) donations of land and write-downs and discounts on land by local governments;

[(B) abatement of real estate taxes for specified periods by local, county, or State governments;

[(C) assignment of community development block grant funds and loan guarantees made available under title I of the Housing and Community Development Act of 1974;

[(D) low interest rate financing through Federal Home Loan Bank programs, State or Federal programs, and private lenders;

[(E) low-income housing tax credits from State and local governments; and

[(F) mortgage revenue bonds from State or local governments.

[(7) DETERMINATION OF LOCATION AND NUMBER OF UNITS.—

[(A) IN GENERAL.—A participating public housing agency and the applicable unit of general local government shall jointly determine the location of any newly constructed or rehabilitated housing to be utilized under the demonstration program carried out by the public housing agency and the number of units to be developed annually, with approval of the legislative body of the local government.

[(B) LIMITATION ON NUMBER OF UNITS.—The total number of newly constructed or rehabilitated units that may be used under this subsection in the demonstration program may not exceed—

[(i) for any participating public housing agency with not more than 5,000 public housing units, 15 percent of the number of units administered by the agency;

[(ii) for any participating agency with more than 5,000 but not more than 25,000 units, 10 percent of the number of units administered by the agency; and

[(iii) for any participating agency with more than 25,000 units, 4 percent of the number of units administered by the agency.

[(f) EXISTING PUBLIC HOUSING.—

[(1) IN GENERAL.—To facilitate the establishment of socioeconomically mixed communities within existing public housing developments, under the demonstration program the Secretary shall authorize participating public housing agencies to lease units in existing public housing projects, as provided in this subsection, to low-income families who are not very low-income families, notwithstanding the provisions of section 16(b) of the United States Housing Act of 1937.

[(2) LIMITATIONS ON PUBLIC HOUSING RESIDENTS.—

[(A) IN GENERAL.—Except as provided in subparagraph (B), not more than 25 percent of the units in each public housing project in which units are utilized under the demonstration program may be occupied by low-income families who are not very low-income families. Not less than 75 percent of the units in each such public housing project shall be occupied by very low-income families.

[(B) EXCEPTION.—Upon determining that a public housing agency has a special need, the Secretary may provide for not more than 50 percent of the units in a public housing project utilized under the demonstration program to be occupied by low-income families who are not very low-income families, and the remainder of the units to be occupied by very low-income families. Such special need may include the need to ensure the successful revitalization of troubled public housing through establishing a socioeconomically mixed resident population.

[(3) NUMBER OF UNITS.—The number of such units made available under this subsection by a public housing agency may not exceed the number of units provided under subsection (e) to participating families.

[(4) RENTAL TERMS.—The rent charged any family occupying a unit made available under this subsection may not, at any time during the demonstration period, exceed the ceiling rent level determined by the public housing agency in the manner that monthly rent is determined under section 3(a)(2)(A) of the United States Housing Act of 1937.

[(5) LEASE.—A participating public housing agency shall enter into a lease with each family occupying a public housing unit made available under this subsection. The term of each lease shall be 1 year. Each lease shall be renewable upon expiration for a period not to exceed 7 years. A public housing agency may extend the period as provided under subsection (j)(1).

[(6) VACANCY.—If, at any time, a participating public housing agency is unable to rent a unit made available under this subsection and the unit has been vacant for a period of 6 months, the agency may—

[(A) cancel a lease for 1 unit of housing provided under subsection (e) and recapture any operating subsidy amounts associated with the unit for use with respect to

the vacant public housing unit, upon which such public housing unit shall be removed from participation in the demonstration program and made generally available for occupancy as provided under the United States Housing Act of 1937; and

[(B) provide the family residing in the housing unit provided under subsection (e) (from which operating subsidy amounts have been recaptured) with assistance under section 8(b) of such Act, subject to the availability of such assistance pursuant to appropriations Acts and notwithstanding any preferences for such assistance under section 8(d)(1)(A)(i) of such Act, and permit the family to remain in the unit.

[(g) CONTRACTS WITH PARTICIPATING FAMILIES.—

[(1) IN GENERAL.—Under the demonstration program, a participating public housing agency shall enter into a contract with each family that will reside in a unit of privately developed housing leased to the agency under subsection (e). Such family shall voluntarily enter into the contract and shall meet the criteria established under paragraph (2). The contract shall be made part of the lease executed between the family and the public housing agency for such unit, shall set forth the provisions of the demonstration program, and shall specify the resources to be made available to the participating family and the responsibilities of the participating family under the program. The lease shall be for a term of 1 year and shall be renewable upon expiration for a period not to exceed 7 years, except as provided under subsection (j)(1).

[(2) ESTABLISHMENT OF CRITERIA.—Each public housing agency shall establish criteria for participation of families in the demonstration program. The criteria shall be based on factors that may reasonably be expected to predict the family's ability to successfully complete the requirements of the demonstration program. The criteria shall include—

[(A) the status and history of employment of family members;

[(B) enrollment of the children in the family in an educational program;

[(C) maintenance by the family of the family's previous dwelling;

[(D) ability of adult family members to complete training for long-term employment;

[(E) the existence and seriousness of any criminal records of family members; and

[(F) the status and history of substance abuse of family members.

[(3) CONTINUED RESIDENCE.—Continued residency of families in housing provided under subsection (e) shall be contingent upon compliance with standards established by the participating public housing agency, which shall include—

[(A) all members of the family remaining drug-free;

[(B) no member of the family engaging in any criminal activity;

[(C) each child in the family remaining in an educational program until receipt of a high school diploma or the equivalent thereof; and

[(D) family members participating in the support services and counseling under subsection (h).

[(h) PROVISION OF SUPPORTIVE SERVICES.—For the entire term of residency of a participating family in housing provided under subsection (e), the public housing agency shall ensure the availability of supportive services and counseling to the family in accordance with the terms and conditions of the contract of participation under subsection (g)(1). The public housing agency shall provide for such services and counseling through its own resources and through coordination with Federal, State, and local agencies, community-based organizations, and private individuals and entities. Services shall include the following:

[(1) Remedial education.

[(2) Education for completion of high school.

[(3) Job training and preparation.

[(4) Child care.

[(5) Substance abuse treatment and counseling.

[(6) Training in homemaking skills and parenting.

[(7) Family counseling.

[(8) Financial counseling services emphasizing planning for homeownership, provided by local financial institutions under the Community Reinvestment Act of 1977, provided under section 106 of the Housing and Urban Development Act of 1968, or otherwise provided.

[(i) ECONOMIC ADVANCEMENT OF PARTICIPATING FAMILIES.—

[(1) EMPLOYMENT.—Under the demonstration program, for the entire term of residency of each participating family in housing provided under subsection (e)—

[(A) the head of the family shall be required to be employed on a full-time basis, except that if the head of the family becomes unemployed, the public housing agency shall review the individual case to determine if mitigating factors, such as involuntary loss of employment, warrant continuing the family's participation in the demonstration program; and

[(B) the public housing agency shall ensure the provision of counseling to assist family members in gaining, advancing in, and retaining employment.

[(2) RENT INCREASES.—During the 1-year period beginning upon the residency of a participating family in housing provided under subsection (e), the amount of rent charged the participating family may not be increased on the basis of any increase in the earned income of the family, until such earned income exceeds 80 percent of the median family income for the area.

[(3) ESCROW SAVINGS ACCOUNTS.—

[(A) PURPOSE AND ESTABLISHMENT.—To ensure that participating families acquire the financial resources necessary to complete a successful transition from assisted rental housing to homeownership or other private housing, under the demonstration program each participating pub-

lic housing agency shall establish for each participating family an interest-bearing escrow savings account held by the agency in the family's name.

[(B) PERIODIC DEPOSITS.—For the entire term of a participating family's residency in housing provided under subsection (e) the public housing agency shall deposit in the account established for the family under subparagraph (A) a percentage of the monthly rent charged the family, which percentage shall be established in the contract of participation under subsection (g)(1). Any rent increases charged because of increases in the earned income of the family shall also be deposited into the escrow account.

[(C) ACCESS TO AMOUNTS.—A participating family may withdraw amounts in the family's escrow account only upon successful completion of participation in the demonstration program, for purchase of a home, for contribution toward college tuition, or other good cause determined by the participating public housing agency. A participating family that has committed violations referred to under subsection (j)(2)(B) shall forfeit access to such amounts.

[(4) TREATMENT OF INCREASED INCOME.—Any increase in the earned income of a participating family during residency in housing provided under subsection (e) may not be considered as income or a resource for the purpose of the family for benefits, or amount of benefits payable to the family, under any other Federal law, unless the income of the family equals or exceeds 80 percent of the median income of the area (as determined by the Secretary with adjustments for smaller and larger families).

[(j) CONCLUSION OF PARTICIPATION.—

[(1) 7-YEAR TERM.—Each family residing in housing provided under subsection (e) or (f) shall terminate residency in housing not later than the expiration of the 7-year period beginning on the commencement of such residency. Notwithstanding the preceding sentence, a public housing agency shall extend the period for any family that requests extension of the period—

[(A) because the family is not prepared to enter a program for homeownership or to secure any other form of private housing; or

[(B) for other good cause.

[(2) INCOMPLETION.—

[(A) IN GENERAL.—Except as provided in subparagraph (B), if a participating family is unable to successfully fulfill the requirements under the demonstration program, the public housing agency shall offer the family a comparable public housing unit in a project administered by the agency (notwithstanding any preference for residency in public housing under section 6(c)(4)(A)(i) of the United States Housing Act of 1937), or assistance under section 8 of such Act (subject to availability of amounts provided under appropriations Acts and notwithstanding any preference for such assistance under section 8(d)(1)(A)(i) of such Act).

[(B) EXCEPTION.—Subparagraph (A) shall not apply to any participating family that has committed serious or re-

peated violations of the terms and conditions of the lease, violations of applicable Federal, State, or local law or that has been exempted from such requirement by the public housing agency for other good cause.

[(k) REPORTS TO CONGRESS.—

[(1) INTERIM REPORT.—Upon the expiration of each 2-year period during the term of the demonstration, the first such period beginning on the date of the enactment of this Act, the Secretary shall submit to the Congress a report evaluating the effectiveness of the demonstration program under this section.

[(2) FINAL REPORT.—Not later than the expiration of the 60-day period beginning on the date of the termination of the demonstration program under subsection (n), the Secretary shall submit to the Congress a final report evaluating the effectiveness of the demonstration program under this section. The report shall also include findings and recommendations for any legislative action appropriate to establish a permanent program based on the demonstration program.

[(l) DEFINITIONS.—For purposes of this section:

[(1) The term "coordinating committee" means a local coordinating committee established under subsection (b)(1).

[(2) The term "demonstration program" means the program established by the Secretary under this section.

[(3) The term "low-income family" means a family whose income does not exceed 80 percent of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of findings by the Secretary that such variations are necessary because of prevailing levels of construction costs or unusually high or low family incomes.

[(4) The term "operating subsidy amounts" means assistance for public housing provided through the performance funding system under section 9 of the United States Housing Act of 1937.

[(5) The term "participating family" means a family that is residing in a housing unit provided under subsection (e).

[(6) The term "participating public housing agency" means a public housing agency with respect to which the Secretary carries out the demonstration program under this section.

[(7) The terms "public housing agency", "public housing", and "project" have the meanings given such terms under section 3(b) of the United States Housing Act of 1937.

[(8) The term "Secretary" means the Secretary of Housing and Urban Development.

[(9) The term "unit of general local government" means any city, town, township, county, parish, village, or other general purpose political subdivision of a State.

[(m) REGULATIONS.—The Secretary shall issue any regulations necessary to carry out this section not later than the expiration of the 90-day period beginning on the date of the enactment of this Act.

[(n) TERMINATION OF DEMONSTRATION PROGRAM.—The demonstration program under this section shall terminate upon the ex-

piration of the 10-year period beginning on the date of the enactment of this Act.

[SEC. 523. ENERGY EFFICIENCY DEMONSTRATION.

[(a) ESTABLISHMENT.—The Secretary of Housing and Urban Development shall carry out a demonstration program to encourage the use of private energy service companies in accordance with section 118(a) of the Housing and Community Development Act of 1987. The Secretary shall provide technical assistance to 5 public housing agencies to demonstrate the opportunities for energy cost reduction in 5 public housing projects through energy services contracts. Not later than 90 days after the date of the enactment of this Act, the Secretary shall establish such selection criteria for this demonstration as the Secretary deems appropriate after consultation with representatives of public housing agencies and energy efficiency organizations.

[(b) REPORT.—As soon as practicable after the expiration of the 1-year period beginning on the date of the enactment of this Act, the Secretary of Housing and Urban Development shall submit to the Congress a report setting forth the findings and recommendations of the Secretary as a result of the demonstration under this section. The Secretary shall disseminate such report, to the extent practicable, to other public housing agencies.]

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Subtitle B—Low-Income Rental Assistance

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SEC. 545. PREFERENCE RULES.

(a) * * *

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[(c) SECTION 8 NEW CONSTRUCTION.—With respect to housing constructed or substantially rehabilitated pursuant to assistance provided under section 8(b)(2) of the United States Housing Act of 1937, as such section existed before October 1, 1983, and projects financed under section 202 of the Housing Act of 1959, notwithstanding any tenant selection criteria under a contract between the Secretary of Housing and Urban Development and an owner of such housing pursuant to the first sentence of such section—

[(1) for not less than 70 percent of units that become available in the housing, the tenant selection criteria for such housing shall give preference to families which occupy substandard housing (including families that are homeless or living in a shelter for homeless families), are paying more than 50 percent of family income for rent, or are involuntarily displaced at the time they are seeking assistance under such section; and

[(2) the system of local preferences established under section 8(d)(1)(A)(ii) by the public housing agency for the jurisdiction within which the housing is located the tenant shall apply to any remaining units that become available in the housing, to

the extent that such preferences are applicable with respect to any tenant eligibility limitations for the housing.]

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SEC. 550. REVISIONS TO VOUCHER PROGRAM

(a) * * *

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[(b) DOCUMENTATION OF EXCESSIVE RENT BURDENS.—

[(1) DATA.—The Secretary of Housing and Urban Development shall collect and maintain, in an automated system, data describing the characteristics of families assisted under the certificate and voucher programs established under section 8 of the United States Housing Act of 1937, which data shall include the share of family income paid toward rent.

[(2) REPORT.—Not less than annually, the Secretary shall submit a report to the Congress setting forth, for each of the certificate program and the voucher program, the percentage of families participating in the program who are paying for rent more than the amount determined under section 3(a)(1) of such Act. The report shall set forth data in appropriate categories, such as various areas of the country, types and sizes of public housing agencies, types of families, and types of markets. The data shall identify the jurisdictions in which more than 10 percent of the families assisted under section 8 of such Act pay for rent more than the amount determined under section 3(a)(1) of such Act and the report shall include an examination of whether the fair market rent for such areas is appropriate. The report shall also include any recommendations of the Secretary for legislative and administrative actions appropriate as a result of analysis of the data.

[(3) AVAILABILITY OF DATA.—The Secretary shall make available to each public housing agency administering assistance under the certificate or voucher program any data maintained under this subsection that relates to the public housing agency.]

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[SEC. 555. INCOME ELIGIBILITY FOR TENANCY IN NEW CONSTRUCTION UNITS.

[Any dwelling units in any housing constructed or substantially rehabilitated pursuant to assistance provided under section 8(b)(2) of the United States Housing Act of 1937, as such section existed before October 1, 1983, and with a contract for assistance under such section, shall be reserved for occupancy by low-income families and very low-income families.]

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TITLE IX—COMMUNITY DEVELOPMENT AND MISCELLANEOUS PROGRAMS

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Subtitle B— Disaster Relief

[SEC. 931. SECTION 8 CERTIFICATES AND VOUCHERS.

[The budget authority available under section 5(c) of the United States Housing Act of 1937 (42 U.S.C. 1437c(c)) for assistance under the certificate and voucher programs under sections 8 (b) and (o) of such Act is authorized to be increased in any fiscal year in which a major disaster is declared by the President under the Robert T. Stafford Disaster Relief and Emergency Asssistance Act in such amounts as may be necessary to provide assistance under such programs for individuals and families whose housing has been damaged or destroyed as a result of such disaster, except that in implementing this section, the Secretary shall evaluate the natural hazards to which any permanent replacement housing is exposed and shall take appropriate action to mitigate such hazards.

[SEC. 932. MODERATE REHABILITATION.

[The budget authority available under section 5(c) of the United States Housing Act of 1937 (42 U.S.C. 1437c(c)) for assistance under the moderate rehabilitation program under section 8(e)(2) of such Act is authorized to be increased in any fiscal year in which a major disaster is declared by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act in such amount as may be necessary to provide assistance under such program for individuals and families whose housing has been damaged or destroyed as a result of such disaster, except that in implementing this section, the Secretary shall evaluate the natural hazards to which any permanent replacement housing is exposed and shall take appropriate action to mitigate such hazards.]

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HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1987

TITLE I—HOUSING ASSISTANCE

Subtitle A—Programs Under United States Housing Act of 1937

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PART 2—PUBLIC HOUSING

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[SEC. 126. PUBLIC HOUSING COMPREHENSIVE TRANSITION DEMONSTRATION.

[(a) ESTABLISHMENT OF DEMONSTRATION PROGRAM.—The Secretary of Housing and Urban Development (in this section referred to as the "Secretary") shall carry out a program to demonstrate the effectiveness of providing a comprehensive program of services to participating public housing residents in order to ensure the successful transition of such residents to private housing. In carrying out the demonstration program, the Secretary shall consult with

the heads of other appropriate Federal agencies to design and implement procedures to carry out the transition from public housing.

[(b) SCOPE OF DEMONSTRATION PROGRAM.—The Secretary shall carry out the demonstration program with respect to public housing administered by the Housing Authority of the City of Charlotte, in the State of North Carolina. The Secretary may also carry out the demonstration program with respect to public housing administered by not more than 10 additional public housing agencies.

[(c) REQUIREMENTS OF DEMONSTRATION PROGRAM.—The demonstration program shall consist of the following requirements:

[(1) CONTRACT OF PARTICIPATION.—Each participating public housing agency may enter into a voluntary contract with any family that is to commence residence in a public housing project administered by the public housing agency. The contract shall be made part of the lease, shall set forth the provisions of the demonstration program, and shall specify the resources to be made available to the participating family and the responsibilities of the participating family.

[(2) REMEDIATION PHASE.—

[(A) During not to exceed the first 2 years of residence of a participating family in public housing, the public housing agency shall ensure the provisions of remediation services to the family in accordance with the terms and conditions of the contract of participation, which may include—

[(i) remedial education;

[(ii) completion of high school;

[(iii) job training and preparation;

[(iv) substance abuse treatment and counseling;

[(v) training in homemaking skills and parenting; and

[(vi) training in money management.

[(B) During the remediation phase, the amount of rent charged the family may not be increased on the basis of any increase in earned income of the family.

[(3) TRANSITION PHASE.—

[(A) During not to exceed a 5-year period following completion of the remediation stage—

[(i) the head of the family shall be required to have full-time employment; and

[(ii) the public housing agency shall ensure the provision of counseling for the family with respect to homeownership, money management, and problem solving.

[(B) During the transition phase, the amount of rent charged the family—

[(i) may be increased on the basis of any increase in family income; and

[(ii) may not be decreased on the basis of any decrease in earned income due to voluntary termination of employment.

[(4) ENCOURAGEMENT OF SAVINGS.—The public housing agency shall take appropriate actions (including the establishment of an escrow savings account) to encourage each partici-

pating family to save funds during the remediation and transition phases.

[(5) EFFECT OF INCREASES IN FAMILY INCOME.—

[(A) Any increase in the earned income of a family during participation in the demonstration program under this section may not be considered as income or a resource for the purpose of denying the eligibility of, or reducing the amount of benefits payable to, the family under any other Federal law, unless the income of the family increases at any time to not less than 50 percent of the median income of the area (as determined by the Secretary with adjustments for small and larger families).

[(B) If at any time during the participation of a family in the demonstration program the income of the family increases to not less than 80 percent of the median income of the area (as determined by the Secretary with adjustments for smaller and larger families), the participation of the family in the demonstration program shall terminate.

[(6) COMPLETION OF TRANSITION.—Each family participating in the demonstration program shall be required to complete the transition out of public housing during a period of not more than 7 years. The public housing agency shall extend the period for any family that requests an extension for good cause.

[(d) REPORTS TO CONGRESS—

[(1) INTERIM REPORT.—Not later than 2 years after the date of the enactment of this Act, the Secretary shall submit to the Congress an interim report evaluating the effectiveness of the demonstration program under this section.

[(2) FINAL REPORT.—Not later than 60 days after the termination of the demonstration program under subsection (f), the Secretary shall submit to the Congress a final report evaluating the effectiveness of the demonstration program under this section.

[(e) REGULATIONS.—The Secretary shall issue such regulations as may be necessary to carry out this section.

[(f) TERMINATION OF DEMONSTRATION PROGRAM.—The demonstration program under this section shall terminate upon the expiration of the 7-year period beginning on the date of the enactment of this Act.]

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Subtitle C—Multifamily Housing Management and Preservation

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SEC. 183. TENANT PARTICIPATION IN MULTIFAMILY HOUSING PROJECTS.

(a) * * *

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[(c) NONDISCRIMINATION AGAINST SECTION 8 CERTIFICATE HOLDERS AND VOUCHER HOLDERS.—No owner of a subsidized project (as defined in section 203(i)(2) of the Housing and Community Devel-

opment Amendments of 1978, as amended by section 181(h) of this Act) shall refuse—

[(1) to lease any available dwelling unit in any such project of such owner that rents for an amount not greater than the fair market rent for a comparable unit, as determined by the Secretary under section 8 of the United States Housing Act of 1937, to a holder of a certificate of eligibility under such section, a proximate cause of which is the status of such prospective tenant as a holder of such certificate, and to enter into a housing assistance payments contract respecting such unit; or

[(2) to lease any available dwelling unit in any such project of such owner to a holder of a voucher under section 8(o) of such Act, and to enter into a voucher contract respecting such unit, a proximate cause of which is the status of such prospective tenant as holder of such voucher.]

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SECTION 801 OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT REFORM ACT OF 1989

[SEC. 801. ANNUAL ADJUSTMENT FACTORS FOR SECTION 8 RENTS.

[(a) EFFECT OF PRIOR COMPARABILITY STUDIES.—

[(1) IN GENERAL.—In any case in which, in implementing section 8(c)(2) of the United States Housing Act of 1937—

[(A) the use of comparability studies by the Secretary of Housing and Urban Development or the appropriate State agency as an independent limitation on the amount of rental adjustments resulting from the application of an annual adjustment factor under such section has resulted in the reduction of the maximum monthly rent for units covered by the contract or the failure to increase such contract rent to the full amount otherwise permitted under the annual adjustment factor, or

[(B) an assistance contract requires a project owner to make a request before becoming eligible for a rent adjustment under the annual adjustment factor and the project owner certifies that such a request was not made because of anticipated negative adjustment to the project rents,

for fiscal year 1980, and annually thereafter until regulations implementing this section take effect, rental adjustments shall be calculated as an amount equal to the annual adjustment factor multiplied by a figure equal to the contract rent minus the amount of contract rent attributable to debt service. Upon the request of the project owner, the Secretary shall pay to the project owner the amount, if any, by which the total rental adjustment calculated under the preceding sentence exceeds the total adjustments the Secretary or appropriate State agency actually approved, except that solely for purposes of calculating retroactive payments under this subsection, in no event shall any project owner be paid an amount less than 30 percent of a figure equal to the aggregate of the annual adjustment factor multiplied by the full contract rent for each year on or after fiscal year 1980, minus the sum of the rental payments the

Secretary or appropriate State agency actually approved for those years. The method provided by this subsection shall be the exclusive method by which retroactive payments, whether or not requested, may be made for projects subject to this subsection for the period from fiscal year 1980 until the regulations issued under subsection (e) take effect. For purposes of this paragraph, ''debt service'' shall include interest, principal, and mortgage insurance premium if any.

[(2) APPLICABILITY.—

[(A) IN GENERAL.—Subsection (a) shall apply with respect to any use of comparability studies referred to in such subsection occurring before the effective date of the regulations issued under subsection (e).

[(B) FINAL LITIGATION.—Subsection (a) shall not apply to any project with respect to which litigation regarding the authority of the Secretary to use comparability studies to limit rental adjustments under section 8(c)(2) of the United State Housing Act of 1937 has resulted in a judgment before the effective date of this Act that is final and not appealable (including any settlement agreement).

[(b) 3-YEAR PAYMENTS.—The Secretary shall provide the amounts under subsection (a) over the 3-year period beginning on the effective date of the regulations issued under subsection (e). The Secretary shall provide the payments authorized under subsection (a) only to the extent approved in subsequent appropriations Acts. There are authorized to be appropriated such sums as may be necessary for this purpose.

[(c) COMPARABILITY STUDIES.—Section 8(c)(2)(C) of the United States Housing Act of 1937 (42 U.S.C. 1437f(c)(2)(C)) is amended by inserting after the period at the end of the first sentence the following: ''In implementing the limitation established under the preceding sentence, the Secretary shall establish regulations for conducting comparability studies for projects where the Secretary has reason to believe that the application of the formula adjustments under subparagraph (A) would result in such material differences. The Secretary shall conduct such studies upon the request of any owner of any project, or as the Secretary determines to be appropriate by establishing, to the extent practicable, a modified annual adjustment factor for such market area, as the Secretary shall designate, that is geographically smaller than the applicable housing area used for the establishment of the annual adjustment factor under subparagraph (A). The Secretary shall establish such modified annual adjustment factor on the basis of the results of a study conducted by the Secretary of the rents charged, and any change in such rents over the previous year, for assisted units and unassisted units of similar quality, type, and age in the smaller market area. Where the Secretary determines that such modified annual adjustment factor cannot be established or that such factor when applied to a particular project would result in material differences between the rents charged for assisted units and unassisted units of similar quality, type, and age in the same market area, the Secretary may apply an alternative methodology for conducting comparability studies in order to establish rents that are not materially different from rents charged for comparable unassisted units.''.

[(d) DETERMINATION OF CONTRACT RENT.—(1) The Secretary shall upon the request of the project owner, make a one-time determination of the contract rent for each project owner referred to in subsection (a). The contract rent shall be the greater of the contract rent—

[(A) currently approved by the Secretary under section 8(c)(2) of the United States Housing Act of 1937, or

[(B) calculated in accordance with the first sentence of subsection (a)(1).

[(2) All adjustments in contract rents under section 8(c)(2) of the United States Housing Act of 1937, including adjustments involving projects referred to in subsection (a), that occur beginning with the first anniversary date of the contract after the regulations issued under subsection (e) take effect shall be made in accordance with the annual adjustment and comparability provisions of sections (8)(c)(2)(A) and 8(c)(2)(C) of such Act, respectively, using the one-time contract rent determination under paragraph (1).

[(e) REGULATIONS.—The Secretary shall issue regulations to carry out this section and the amendments made by this section, including the amendments made by subsection (c) with regard to annual adjustment factors and comparability studies. The Secretary shall issue such regulations not later than the expiration of the 180-day period beginning on the date of the enactment of this Act.

[(f) REPORT.—Not later than March 1, 1990, the Secretary shall report to the Congress on the feasibility and desirability, and the budgetary, legal, and administrative aspects, of adjusting contract rents under section 8(c)(2)(C) of the United States Housing Act of 1937 on the basis of any alternative methodologies that are simpler in application than individual project comparability studies.

[(g) TECHNICAL AMENDMENT.—The first sentence of section 8(c)(2)(C) of the United States Housing Act of 1937 is amended by inserting ", type," after "quality".]

HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1992

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TITLE I—HOUSING ASSISTANCE

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Subtitle B—Public and Indian Housing

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[SEC. 132. HOMEOWNERSHIP DEMONSTRATION PROGRAM IN OMAHA, NEBRASKA.

[(a) ESTABLISHMENT.—The Secretary shall carry out a program to facilitate self-sufficiency and homeownership of single-family homes administered by the Housing Authority of the city of Omaha, in the State of Nebraska (in this section referred to as the "Housing Authority"), to demonstrate the effectiveness of promoting homeownership and providing support services.

[(b) PARTICIPATING PUBLIC HOUSING UNITS.—For purposes of the demonstration program, the Secretary shall authorize the Housing Authority to designate single-family housing units for eventual homeownership. Over the term of the demonstration, the demonstration program may be applied to not more than 20 percent of the total number of public housing units administered by the Housing Authority. In conducting the demonstration, the Housing Authority shall affirmatively further fair housing objectives.

[(c) NONDISPLACEMENT.—No person who is a tenant of public housing may be involuntarily relocated or displaced as a result of the demonstration program.

[(d) ECONOMIC SELF-SUFFICIENCY.—

[(1) ESTABLISHMENT OF PARTICIPATION CRITERIA.—The Housing Authority shall establish criteria for the participation of families in the demonstration program. Such criteria shall be based on factors that may reasonably be expected to predict a family's ability to succeed in the homeownership program established by this section.

[(2) CONTENTS OF PARTICIPATION CRITERIA.—The criteria referred to in paragraph (1) shall include evidence of interest by the family in homeownership, the employment status and history of employment of family members, and maintenance by the family of the family's previous dwelling.

[(e) PROVISION OF SUPPORTIVE SERVICES.—The Housing Authority shall ensure the availability of supportive services to each family participating in the demonstration program through its own resources and through coordination with Federal, State, and local agencies and private entities. Supportive services available under the demonstration program may include counseling, remedial education, education for completion of high school, job training and preparation, financial counseling emphasizing planning for homeownership, and any other appropriate services.

[(f) REPORTS TO CONGRESS.—

[(1) BIENNIAL REPORT.—Upon the expiration of the 2-year period beginning on the date of enactment of this Act, and each 2-year period thereafter, the Secretary of Housing and Urban Development shall submit to the Congress a report evaluating the effectiveness of the demonstration program established under this section.

[(2) FINAL REPORT.—Not later than 60 days after termination of the demonstration program pursuant to subsection (h), the Secretary shall submit to the Congress a final report evaluating the effectiveness of the demonstration program.

[(g) REGULATIONS.—Not later than the expiration of the 90-day period beginning on the date of the enactment of this Act [1], the Secretary shall issue interim regulations to carry out this section, which shall take effect upon issuance. The Secretary shall issue final regulations to carry out this subtitle after notice and opportunity for public comment regarding the interim regulations, pursuant to the provisions of section 553 of title 5, United States Code (notwithstanding subsections (a)(2), (b)(B), and (d)(3) of such section). The duration of the period for public comment shall not be less than 60 days, and the final regulations shall be issued not later than the expiration of the 60-day period beginning upon the

conclusion of the comment period and shall take effect upon issuance.

[(h) TERMINATION.—The demonstration program established under this section shall terminate 10 years after the date of the enactment of this Act.]

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Subtitle C—Section 8 Assistance

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[SEC. 152. MOVING TO OPPORTUNITY FOR FAIR HOUSING.

[(a) AUTHORITY.—Using any amounts available under subsection (e), the Secretary of Housing and Urban Development shall carry out a demonstration program to provide tenant-based assistance under section 8 of the United States Housing Act of 1937 to assist very low-income families with children who reside in public housing or housing receiving project-based assistance under section 8 of the United States Housing Act of 1937 to move out of areas with high concentrations of persons living in poverty to areas with low concentrations of such persons. The demonstration program carried out under this section shall compare and contrast the costs associated with implementing such a program (including the costs of counseling, supportive services, housing assistance payments and other relevant program elements) with the costs associated with the routine implementation of the section 8 tenant-based rental assistance programs. The Secretary shall enter into annual contributions contracts with public housing agencies to administer housing assistance payments contracts under the demonstration.

[(b) ELIGIBLE CITIES.—

[(1) IN GENERAL.—The Secretary shall carry out the demonstration only in cities with populations exceeding 350,000 that are located in consolidated metropolitan statistical areas (as designated by the Director of the Office of Management and Budget) having populations exceeding 1,500,000.

[(2) 1993.—Notwithstanding paragraph (1), in fiscal year 1993, only the 5 cities selected for the demonstration under the item relating to "HOUSING PROGRAMS—ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING (INCLUDING RESCISSION OF FUNDS)" of title II of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1992 (105 Stat. 745), and the City of Los Angeles, California, shall be eligible for the demonstration under this section.

[(c) SERVICES.—The Secretary shall enter into contracts with nonprofit organizations to provide counseling and services in connection with the demonstration.

[(d) REPORTS.—

[(1) BIENNIAL.—Not later than the expiration of the 2-year period beginning on the date of the enactment of this Act (and biennially thereafter), the Secretary shall submit interim reports to the Congress evaluating the effectiveness of the demonstration program under this section. The interim reports shall include a statement of the number of persons served, the

level of counseling and the types of services provided, the cost of providing such counseling and services, updates on the employment record of families assisted under the program, and any other information the Secretary considers appropriate in evaluating the demonstration.

[(2) FINAL.—Not later than September 30, 2004, the Secretary shall submit a final report to the Congress describing the long-term housing, employment, and educational achievements of the families assisted under the demonstration program. Such report shall also contain an assessment of such achievements for a comparable population of section 8 recipients who have not received assistance under the demonstration program.

[(e) FUNDING.—The budget authority available under section 5(c) of the United States Housing Act of 1937 for tenant-based assistance under section 8 of such Act is authorized to be increased by $50,000,000, on or after October 1, 1992, and by $165,000,000, on or after October 1, 1993, to carry out the demonstration under this section. Any amounts made available under this paragraph shall be used in connection with the demonstration under this section.

[(f) IMPLEMENTATION.—The Secretary may, by notice published in the Federal Register, establish any requirements necessary to carry out the demonstration under this section and the amendment made by this section. The Secretary shall publish such notice not later than the expiration of the 90-day period beginning on the date of the enactment of this Act and shall submit a copy of such notice to the Congress not less than 15 days before publication.

[SEC. 153. DIRECTIVE TO FURTHER FAIR HOUSING OBJECTIVES UNDER CERTIFICATE AND VOUCHER PROGRAMS.

[Not later than 2 years after the date of the enactment of this Act, the Secretary of Housing and Urban Development, in consultation with individuals representing fair housing organizations, low-income tenants, public housing agencies, and other interested parties, shall—

[(1) review and comment upon the study prepared by the Comptroller General of the United States pursuant to section 558(3) of the Cranston-Gonzalez National Affordable Housing Act;

[(2) evaluate the implementation and effects of existing demonstration and judicially mandated programs that help minority families receiving section 8 certificates and vouchers move out of areas with high concentrations of minority persons living in poverty to areas with low concentrations, including how such programs differ from the routine implementation of the section 8 certificate and voucher programs;

[(3) independently assess factors (including the adequacy of section 8 fair market rentals, the level of counseling provided by public housing agencies, the existence of racial and ethnic discrimination by landlords) that may impede the geographic dispersion of families receiving section 8 certificates and vouchers;

[(4) identify and implement any administrative revisions that would enhance geographic dispersion and tenant choice

and incorporate the positive elements of various demonstration and judicially mandated mobility programs; and

[(5) submit to the Congress a report describing its findings under paragraphs (1), (2), and (3), the actions taken under paragraph (4), and any recommendations for additional demonstration, research, or legislative action.]

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SECTION 6 OF HUD DEMONSTRATION ACT OF 1993

[SEC. 6. SECTION 8 COMMUNITY INVESTMENT DEMONSTRATION PROGRAM.

[(a) DEMONSTRATION PROGRAM.—The Secretary shall carry out a demonstration program to attract pension fund investment in affordable housing through the use of project-based rental assistance under section 8 of the United States Housing Act of 1937.

[(b) FUNDING REQUIREMENTS.—In carrying out this section, the Secretary shall ensure that not less than 50 percent of the funds appropriated for the demonstration program each year are used in conjunction with the disposition of either—

[(1) multifamily properties owned by the Department; or

[(2) multifamily properties securing mortgages held by the Department.

[(c) CONTRACT TERMS.—

[(1) IN GENERAL.—Project-based assistance under this section shall be provided pursuant to a contract entered into by the Secretary and the owner of the eligible housing that—

[(A) provides assistance for a term of not less than 60 months and not greater than 180 months; and

[(B) provides for contract rents, to be determined by the Secretary, which shall not exceed contract rents permitted under section 8 of the United States Housing Act of 1937, taking into consideration any costs for the construction, rehabilitation, or acquisition of the housing.

[(2) AMENDMENT TO SECTION 203.—Section 203 of the Housing and Community Development Amendments of 1978 (12 U.S.C. 1701z–11) is amended by adding at the end the following new subsection:

["(l) Project-based assistance in connection with the disposition of a multifamily housing project may be provided for a contract term of less than 15 years if such assistance is provided—

["(1) under a contract authorized under section 6 of the HUD Demonstration Act of 1993; and

["(2) pursuant to a disposition plan under this section for a project that is determined by the Secretary to be otherwise in compliance with this section.".

[(d) LIMITATION.—(1) The Secretary may not provide (or make a commitment to provide) more than 50 percent of the funding for housing financed by any single pension fund, except that this limitation shall not apply if the Secretary, after the end of the 6-month period beginning on the date notice is issued under subsection (e)—

[(A) determines that—

[(i) there are no expressions of interest that are likely to result in approvable applications in the reasonably foreseeable future; or

[(ii) any such expressions of interest are not likely to use all funding under this section; and

[(B) so informs the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate.

[(2) If the Secretary determines that there are expressions of interest referred to in paragraph (1)(A)(ii), the Secretary may reserve funding sufficient in the Secretary's determination to fund such applications and may use any remaining funding for other pension funds in accordance with this section.

[(e) IMPLEMENTATION.—The Secretary shall by notice establish such requirements as may be necessary to carry out the provisions of this section. The notice shall take effect upon issuance.

[(f) APPLICABILITY OF ERISA.—Notwithstanding section 514(d) of the Employee Retirement Income Security Act of 1974, nothing in this section shall be construed to authorize any action or failure to act that would constitute a violation of such Act.

[(g) REPORT.—Not later than 3 months after the last day of each fiscal year, the Secretary shall submit to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate a report summarizing the activities carried out under this section during that fiscal year.

[(h) ESTABLISHMENT OF STANDARDS.—Mortgages secured by housing assisted under this demonstration shall meet such standards regarding financing and securitization as the Secretary may establish.

[(i) GAO STUDY.—The Comptroller General of the United States shall conduct a study evaluating the demonstration authorized under this section and shall report its findings to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate not later than 3 months after the conclusion of the demonstration.

[(j) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $100,000,000 for fiscal year 1994 to carry out this section.

[(k) TERMINATION DATE.—The Secretary shall not enter into any new commitment to provide assistance under this section after September 30, 1998.]

SECTION 816 OF THE HOUSING ACT OF 1954

[AUDITS UNDER PUBLIC HOUSING ACT OF 1937; COMPTROLLER GENERAL

[SEC. 816. Every contract for loans or annual contributions under the United States Housing Act of 1937, as amended, shall provide that the Secretary of Housing and Urban Development and the Comptroller General of the United States, or any of their duly authorized representatives, shall, for the purpose of audit and ex-

amination, have access to any books, documents, papers, and records of the public housing agency entering into such contract that are pertinent to its operations with respect to financial assistance under the United States Housing Act of 1937, as amended.]

HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS OF 1981

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TITLE III—BANKING, HOUSING, AND RELATED PROGRAMS

Subtitle A—Housing and Community Development

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PART 2—HOUSING ASSISTANCE PROGRAMS

* * * * * * *

MISCELLANEOUS HOUSING ASSISTANCE PROVISIONS

SEC. 326. (a) * * *

* * * * * * *

[(b)(1) Within one year after the date of enactment of this Act, the Secretary of Housing and Urban Development shall conduct a survey to determine the number of projects which are assisted under section 8 of the United States Housing Act of 1937 and are owned by developers or sponsors with five-year annual contributions contracts who plan to withdraw from the section 8 program when their contracts expire and who will increase rents in those projects to levels that the current residents of those projects will not be able to afford. Where such survey indicates that an owner intends to withdraw from the program, the Secretary shall notify affected residents of possible rent increases.]

* * * * * * *

[(c) The Secretary of Housing and Urban Development, after consultation with the Attorney General, shall develop regulations to prevent possible conflicts of interest on the part of Federal, State, and local government officials with regard to participation in projects assisted under section 8 of the United States Housing Act of 1937, and shall make such regulations effective not later than 180 days after the date of enactment of this Act.

[(d) RENTAL ASSISTANCE FRAUD RECOVERIES.—

[(1) AUTHORITY TO RETAIN RECOVERED AMOUNTS.—The Secretary of Housing and Urban Development shall permit public housing agencies administering the housing assistance payments program under section 8 of the United States Housing Act of 1937 to retain, out of amounts obtained by the agencies from tenants that are due as a result of fraud and abuse, an amount (determined in accordance with regulations issued by the Secretary) equal to the greater of—

[(A) 50 percent of the amount actually collected, or

[(B) the actual, reasonable, and necessary expenses related to the collection, including costs of investigation, legal fees, and collection agency fees.

[(2) USE.—Amounts retained by an agency shall be made available for use in support of the affected program or project, in accordance with regulations issued by the Secretary. Where the Secretary is the principal party initiating or sustaining an action to recover amounts from families or owners, the provisions of this section shall not apply.

[(3) RECOVERY.—Amounts may be recovered under this paragraph—

[(A) by an agency through a lawsuit (including settlement of the lawsuit) brought by the agency or through court-ordered restitution pursuant to a criminal proceeding resulting from an agency's investigation where the agency seeks prosecution of a family or where an agency seeks prosecution of an owner; or

[(B) through administrative repayment agreements with a family or owner entered into as a result of an administrative grievance procedure conducted by an impartial decisionmaker in accordance with section 6(k) of the United States Housing Act of 1937.]

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[PAYMENT FOR DEVELOPMENT MANAGERS

[SEC. 329A. The Secretary of Housing and Urban Development shall develop and implement a revised fee schedule for development managers of lower income housing projects assisted under the United States Housing Act of 1937 so that the percentage limitation applicable to fees chargeable in connection with smaller projects is increased to a minimum level which is practicable.]

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[PURCHASE OF PHA OBLIGATIONS

[SEC. 329E. In addition to any authority provided before October 1, 1981, the Secretary of Housing and Urban Development may, on and after October 1, 1981, enter into contracts for periodic payments to the Federal Financing Bank to offset the costs to the Bank of purchasing obligations (as described in the first sentence of section 16(b) of the Federal Financing Bank Act of 1973) issued by local public housing agencies for purposes of financing public housing projects authorized by section 5(c) of the United States Housing Act of 1937. Notwithstanding any other provision of law, such contracts may be entered into only to the extent approved in appropriation Acts, and the aggregate amount which may be obligated over the duration of such contracts may not exceed $400,000,000. There are hereby authorized to be appropriated any amounts necessary to provide for such payments. The authority to enter into contracts under this subsection shall be in lieu of any authority (except for authority provided specifically to the Secretary before October 1, 1981) of the Secretary to enter into con-

tracts for such purposes under section 16(b) of the Federal Financing Bank Act of 1973.]

DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS ACT, 1991

* * * * * * *

TITLE II

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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MANAGEMENT AND ADMINISTRATION

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ADMINISTRATIVE PROVISIONS

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[Notwithstanding any other provision of law, regulation or other requirement, the Secretary shall not require any public housing agency or Indian housing authority to seek competitive bids for the procurement of any line of insurance when such public housing agency or Indian housing authority purchases such line of insurance from a nonprofit insurance entity, owned and controlled by public housing agencies or Indian housing authorities, and approved by the Secretary. In establishing standards for approval of such nonprofit insurance entities, the Secretary shall be assured that such entities have sufficient surplus capital to meet reasonably expected losses, reliable accounting systems, sound actuarial projections, and employees experienced in the insurance industry. The Secretary shall not place restrictions on the investment of funds of any such entity that is regulated by the insurance department of any State that describes the types of investments insurance companies licensed in such State may make. With regard to such entities that are not so regulated, the Secretary may establish investment guidelines that are comparable to State law regulating the investments of insurance companies.]

* * * * * * *

DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS ACT, 1992

TITLE II

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

* * * * * * *

MANAGEMENT AND ADMINISTRATION

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ADMINISTRATIVE PROVISIONS

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[Hereafter, notwithstanding any other provision of State or Federal law, regulation or other requirement, any public housing agency or Indian housing authority that purchases any line of insurance from a nonprofit insurance entity, owned and controlled by public housing agencies or Indian housing authorities, and approved by the Secretary, may purchase such insurance without regard to competitive procurement.

[Hereafter, the Secretary shall establish standards as set forth herein, by regulation, adopted after notice and comment rulemaking pursuant to the Administrative Procedures Act, which will become effective not later than one year from the effective date of this Act.

[Hereafter, in establishing standards for approval of such nonprofit insurance entities, the Secretary shall be assured that such entities have sufficient surplus capital to meet reasonably expected losses, reliable accounting systems, sound actuarial projections, and employees experienced in the insurance industry. The Secretary shall not place restrictions on the investment of funds of any such entity that is regulated by the insurance department of any State that describes the types of investments insurance companies licensed in such State may make. With regard to such entities that are not so regulated, the Secretary shall establish investment guidelines that are comparable to State law regulating the investments of insurance companies.

[Hereafter, the Secretary shall not approve additional nonprofit insurance entities until such standards have become final, nor shall the Secretary revoke the approval of any nonprofit insurance entity previously approved by the Department unless for cause and after a due process hearing.

[Hereafter, until the Department of Housing and Urban Development has adopted regulations specifying the nature and quality of insurance covering the potential personal injury liability exposure of public housing authorities and Indian housing authorities (and their contractors, including architectural and engineering services) as a result of testing and abatement of lead-based paint in federally subsidized public and Indian housing units, said authorities shall be permitted to purchase insurance for such risk, as an allowable expense against amounts available for capital improvements (modernization): *Provided,* That such insurance is competitively selected and that coverage provided under such policies, as certified by the authority, provides reasonable coverage for the risk of liability exposure, taking into consideration the potential liability concerns inherent in the testing and abatement of lead-based paint, and the managerial and quality assurance responsibilities associated with the conduct of such activities.]

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HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983

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TITLE II—HOUSING ASSISTANCE PROGRAMS

* * * * * * *

[PUBLIC HOUSING EARLY CHILDHOOD DEVELOPMENT PROGRAM

[SEC. 222. (a) PROGRAM AUTHORITY.—

[(1) The Secretary of Housing and Urban Development shall, to the extent approved in appropriation Acts, carry out a demonstration program of making grants to nonprofit organizations to assist such organizations in providing early childhood development services in or near lower income housing projects for lower income families who reside in public housing.

[(2) The Secretary shall design the program described in paragraph (1) to determine the extent to which the availability of early childhood development services in or near lower income housing projects facilitates the employability of the parents or guardians of children residing in public housing.

[(b) ELIGIBILITY FOR ASSISTANCE.—The Secretary may make a grant to a nonprofit organization for early childhood development services in or near a lower income housing project only if—

[(1) prior to receipt of assistance under this section, an early childhood development program is not in operation for the project;

[(2) the public housing agency agrees to provide suitable facilities in or near the project for the provision of early childhood development services;

[(3) the early childhood development program for the project will serve preschool children during the day, school children after school, or both, in order to permit the parents or guardians of such children to obtain, retain, or train for employment;

[(4) the early childhood development program for the project is designed, to the extent practicable, to involve the participation of the parents of children benefiting from such program;

[(5) the early childhood development program for the project is designed, to the extent practicable, to employ in part-time positions elderly individuals who reside in the lower income housing project involved; and

[(6) the early childhood development program for the project complies with all applicable State and local laws, regulations, and ordinances.

[(c) ALLOCATION OF ASSISTANCE.—In providing grants under this section, the Secretary shall—

[(1) give priority to nonprofit organizations providing early childhood development services in or near lower income housing projects in which reside the largest number of preschool and school children of lower income families;

[(2) seek to ensure a reasonable distribution of such grants between urban and rural areas and among nonprofit organizations providing early childhood development services in or near lower income housing projects of varying sizes; and

[(3) seek to provide such grants to the largest number of nonprofit organizations practicable, considering the amount of funds available under this section and the financial requirements of the particular early childhood development programs to be established for the lower income housing projects for which applications are submitted under this section.

[(d) ADMINISTRATIVE PROVISIONS.—

[(1) Applications for grants under this section shall be made by nonprofit organizations (in consultation with public housing agencies) in such form, and according to such procedures, as the Secretary may prescribe.

[(2) Any nonprofit organization receiving a grant under this section may use such grant only for operating expenses and minor renovations of facilities necessary to the provision of early childhood development services under this section.

[(3) The Secretary shall conduct periodic evaluations of each early childhood development program assisted under this section for purposes of—

[(A) determining the effectiveness of such program in providing early childhood development services and permitting the parents or guardians of children residing in public housing to obtain, retain, or train for employment; and

[(B) ensuring compliance with the provisions of this section.

[(4) No provision of this section may be construed to authorize the Secretary to establish any health, safety, educational, or other standards with respect to early childhood development services or facilities assisted with grants received under this section. Such services and facilities shall comply with all applicable State and local laws, regulations, and ordinances, and all requirements established by the Secretary of Health and Human Services for early childhood development services and facilities.

[(e) REPORT TO CONGRESS.—Not later than the expiration of the 3-year period following the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall prepare and submit to the Congress a detailed report setting forth the findings and conclusions of the Secretary as a result of carrying out the demonstration program established in this section. Such report shall include any recommendations of the Secretary with respect to the establishment of a permanent program of assisting early childhood development services in or near lower income housing projects.

[(f) DEFINITIONS.—For purposes of this section:

[(1) The term "lower income families" has the meaning given such term in section 3(b)(2) of the United States Housing Act of 1937.

[(2) The terms "lower income housing project" and "public housing" have the meanings given such terms in section 3(b)(1) of the United States Housing Act of 1937.

[(3) The term "public housing agency" has the meaning given such term in section 3(b)(6) of the United States Housing Act of 1937.

[(4) The term "Secretary" means the Secretary of Housing and Urban Development.

[(g) AUTHORIZATION OF APPROPRIATIONS.—To the extent provided in appropriation Acts, of any amounts appropriated for fiscal year 1993 under section 103 of the Housing and Community Development Act of 1974, $5,000,000 shall be available to carry out this section. To the extent approved in appropriation Acts, of any amounts appropriated for fiscal year 1994 under section 5(c) of the United States Housing Act of 1937 for grants for the development of public housing, $5,210,000 shall be available to carry out this section. Any such amounts shall remain available until expended.]

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PET OWNERSHIP IN ASSISTED RENTAL HOUSING FOR THE ELDERLY OR HANDICAPPED

SEC. 227. (a) * * *

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(d) For purposes of this section, the term "federally assisted rental housing for the elderly or handicapped" means any rental housing project that—

(1) is assisted under section 202 of the Housing Act of 1959; or

(2) is assisted under the United States Housing Act of 1937, *the United States Housing Act of 1996*, the National Housing Act, or title V of the Housing Act of 1949, and is designated for occupancy by elderly or handicapped families, as such term is defined in section 202(d)(4) of the Housing Act of 1959.

* * * * * * *

SECTION 202 OF THE HOUSING ACT OF 1959

SEC. 202. SUPPORTIVE HOUSING FOR THE ELDERLY.

(a) * * *

* * * * * * *

(l) ALLOCATION OF FUNDS.—

(1) * * *

* * * * * * *

(4) CONSIDERATION IN ALLOCATING ASSISTANCE.—Assistance under this section shall be allocated in a manner that ensures that the awards of the assistance are made for projects of sufficient size to accommodate facilities for supportive services appropriate to the needs of frail elderly residents.

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ANTI-DRUG ABUSE ACT OF 1988

* * * * * * *

TITLE V—USER ACCOUNTABILITY

SEC. 5001. TABLE OF CONTENTS.

The table of contents for this title is as follows:

Subtitle C—Preventing Drug Abuse in Public Housing

* * * * * * *

[CHAPTER 2—PUBLIC AND ASSISTED HOUSING DRUG ELIMINATION

[SEC. 5121. SHORT TITLE.

[This chapter may be cited as the "Public and Assisted Housing Drug Elimination Act of 1990".

[SEC. 5122. CONGRESSIONAL FINDINGS.

[The Congress finds that—

[(1) the Federal Government has a duty to provide public and other federally assisted low-income housing that is decent, safe, and free from illegal drugs;

[(2) public and other federally assisted low-income housing in many areas suffers from rampant drug-related crime;

[(3) drug dealers are increasingly imposing a reign of terror on public and other federally assisted low-income housing tenants;

[(4) the increase in drug-related crime not only leads to murders, muggings, and other forms of violence against tenants, but also to a deterioration of the physical environment that requires substantial government expenditures; and

[(5) local law enforcement authorities often lack the resources to deal with the drug problem in public and other federally assisted low-income housing, particularly in light of the recent reductions in Federal aid to cities.

[SEC. 5123. AUTHORITY TO MAKE GRANTS.

[The Secretary of Housing and Urban Development, in accordance with the provisions of this chapter, may make grants to public housing agencies (including Indian Housing Authorities), public housing resident management corporations that are principally managing, as determined by the Secretary, public housing projects owned by public housing agencies, and private, for-profit and nonprofit owners of federally assisted low-income housing for use in eliminating drug-related crime.]

CHAPTER 2—COMMUNITY PARTNERSHIPS AGAINST CRIME

SEC. 5121. SHORT TITLE.

This chapter may be cited as the "Community Partnerships Against Crime Act of 1996".

SEC. 5122. PURPOSES.

The purposes of this chapter are to—

(1) improve the quality of life for the vast majority of law-abiding public housing residents by reducing the levels of fear, violence, and crime in their communities;

(2) broaden the scope of the Public and Assisted Housing Drug Elimination Act of 1990 to apply to all types of crime, and not simply crime that is drug-related; and

(3) reduce crime and disorder in and around public housing through the expansion of community-oriented policing activities and problem solving.

SEC. 5123. AUTHORITY TO MAKE GRANTS.

The Secretary of Housing and Urban Development may make grants in accordance with the provisions of this chapter for use in eliminating crime in and around public housing and other federally assisted low-income housing projects to (1) local housing and management authorities, and (2) private, for-profit and nonprofit owners of federally assisted low-income housing.

SEC. 5124. ELIGIBLE ACTIVITIES.

(a) PUBLIC AND ASSISTED HOUSING.—Grants under this chapter may be used in *and around* public housing or other federally assisted low-income housing projects for—

(1) the employment of security personnel;

(2) reimbursement of local law enforcement agencies for additional security and protective services;

(3) physical improvements which are specifically designed to enhance security, *including fencing, lighting, locking, and surveillance systems*;

(4) the employment of one or more individuals—

[(A) to investigate drug-related crime on or about the real property comprising any public or other federally assisted low-income housing project; and]

(A) to investigate crime; and

(B) to provide evidence relating to such crime in any administrative or judicial proceeding;

(5) the provision of training, communications equipment, and other related equipment for use by voluntary tenant patrols acting in cooperation with local law enforcement officials;

(6) programs designed to reduce use of drugs [in and around public or other federally assisted low-income housing projects], including drug-abuse prevention, intervention, referral, and treatment programs; [and]

[(7) where a public housing agency receives a grant, providing funding to nonprofit public housing resident management corporations and resident councils to develop security and drug abuse prevention programs involving site residents.]

(7) providing funding to nonprofit public housing resident management corporations and resident councils to develop security and crime prevention programs involving site residents;

(8) the employment or utilization of one or more individuals, including law enforcement officers, made available by contract or other cooperative arrangement with State or local law enforcement agencies, to engage in community- and problem-oriented policing involving interaction with members of the community in proactive crime control and prevention activities;

(9) programs and activities for or involving youth, including training, education, recreation and sports, career planning, and entrepreneurship and employment activities and after school and cultural programs; and

(10) service programs for residents that address the contributing factors of crime, including programs for job training, education, drug and alcohol treatment, and other appropriate social services.

(b) OTHER PHA-OWNED HOUSING.—Notwithstanding any other provision of this chapter, grants under this chapter may be used to eliminate [drug-related crime in housing owned by public housing agencies] *crime in and around housing owned by local housing and management authorities* that is not public housing assisted under the United States Housing Act of 1937 and is not otherwise federally assisted, for the activities described in paragraphs (1) through [(7)] *10* of subsection (a), but only if—

(1) the housing is located in a high intensity drug trafficking area designated pursuant to section 1005 of this Act; and

(2) the [public housing agency] *local housing and management authority* owning the housing demonstrates, to the satisfaction of the Secretary, that [drug-related] *criminal* activity at the housing has a detrimental effect on or about the real property comprising any public or other federally assisted low-income housing.

[SEC. 5125. APPLICATIONS.

[(a) IN GENERAL.—To receive a grant under this chapter, a public housing agency, a public housing resident management corporation, or an owner of federally assisted low-income housing shall submit an application to the Secretary, at such time, in such manner, and accompanied by such additional information as the Secretary may reasonably require. Such application shall include a plan for addressing the problem of drug-related crime on the prem-

ises of the housing administered or owned by the applicant for which the application is being submitted.

[(b) CRITERIA.—Except as provided by subsections (c) and (d) the Secretary shall approve applications under this chapter based exclusively on—

[(1) the extent of the drug-related crime problem in the public or federally assisted low-income housing project or projects proposed for assistance;

[(2) the quality of the plan to address the crime problem in the public or federally assisted low-income housing project or projects proposed for assistance, including the extent to which the plan includes initiatives that can be sustained over a period of several years;

[(3) the capability of the applicant to carry out the plan; and

[(4) the extent to which tenants, the local government and the local community support and participate in the design and implementation of the activities proposed to be funded under the application.

[(c) FEDERALLY ASSISTED LOW-INCOME HOUSING.—In addition to the selection criteria specified in subsection (b), the Secretary may establish other criteria for the evaluation of applications submitted by owners of federally assisted low-income housing, except that such additional criteria shall be designed only to reflect—

[(1) relevant differences between the financial resources and other characteristics of public housing authorities and owners of federally assisted low-income housing, or

[(2) relevant differences between the problem of drug-related crime in public housing and the problem of drug-related crime in federally assisted low-income housing.

[(d) HIGH INTENSITY DRUG TRAFFICKING AREAS.—In evaluating the extent of the drug-related crime problem pursuant to subsection (b), the Secretary may consider whether housing projects proposed for assistance are located in a high intensity drug trafficking area designated pursuant to section 1005 of the Anti-Drug Abuse Act of 1988.]

SEC. 5125. GRANT PROCEDURES.

(a) LHMA'S WITH 250 OR MORE UNITS.—

(1) GRANTS.—In each fiscal year, the Secretary shall make a grant under this chapter from any amounts available under section 5131(b)(1) for the fiscal year to each of the following local housing and management authorities:

(A) NEW APPLICANTS.—Each local housing and management authority that owns or operates 250 or more public housing dwelling units and has—

(i) submitted an application to the Secretary for a grant for such fiscal year, which includes a 5-year crime deterrence and reduction plan under paragraph (2); and

(ii) had such application and plan approved by the Secretary.

(B) RENEWALS.—Each local housing and management authority that owns or operates 250 or more public housing dwelling units and for which—

(i) a grant was made under this chapter for the preceding Federal fiscal year;

(ii) the term of the 5-year crime deterrence and reduction plan applicable to such grant includes the fiscal year for which the grant under this subsection is to be made; and

(iii) the Secretary has determined, pursuant to a performance review under paragraph (4), that during the preceding fiscal year the agency has substantially fulfilled the requirements under subparagraphs (A) and (B) of paragraph (4).

(2) 5-YEAR CRIME DETERRENCE AND REDUCTION PLAN.—Each application for a grant under this subsection shall contain a 5-year crime deterrence and reduction plan. The plan shall describe, for the local housing and management authority submitting the plan—

(A) the nature of the crime problem in public housing owned or operated by the local housing and management authority;

(B) the building or buildings of the local housing and management authority affected by the crime problem;

(C) the impact of the crime problem on residents of such building or buildings; and

(D) the actions to be taken during the term of the plan to reduce and deter such crime, which shall include actions involving residents, law enforcement, and service providers.

The term of a plan shall be the period consisting of 5 consecutive fiscal years, which begins with the first fiscal year for which funding under this chapter is provided to carry out the plan.

(3) AMOUNT.—In any fiscal year, the amount of the grant for a local housing and management authority receiving a grant pursuant to paragraph (1) shall be the amount that bears the same ratio to the total amount made available under section 5131(b)(1) as the total number of public dwelling units owned or operated by such authority bears to the total number of dwelling units owned or operated by all local housing and management authorities that own or operate 250 or more public housing dwelling units that are approved for such fiscal year.

(4) PERFORMANCE REVIEW.—For each fiscal year, the Secretary shall conduct a performance review of the activities carried out by each local housing and management authority receiving a grant pursuant to this subsection to determine whether the agency—

(A) has carried out such activities in a timely manner and in accordance with its 5-year crime deterrence and reduction plan; and

(B) has a continuing capacity to carry out such plan in a timely manner.

(5) SUBMISSION OF APPLICATIONS.—The Secretary shall establish such deadlines and requirements for submission of applications under this subsection.

(6) REVIEW AND DETERMINATION.—The Secretary shall review each application submitted under this subsection upon submis-

sion and shall approve the application unless the application and the 5-year crime deterrence and reduction plan are inconsistent with the purposes of this chapter or any requirements established by the Secretary or the information in the application or plan is not substantially complete. Upon approving or determining not to approve an application and plan submitted under this subsection, the Secretary shall notify the local housing and management authority submitting the application and plan of such approval or disapproval.

(7) DISAPPROVAL OF APPLICATIONS.—If the Secretary notifies an authority that the application and plan of the authority is not approved, not later than the expiration of the 15-day period beginning upon such notice of disapproval, the Secretary shall also notify the authority, in writing, of the reasons for the disapproval, the actions that the authority could take to comply with the criteria for approval, and the deadlines for such actions.

(8) FAILURE TO APPROVE OR DISAPPROVE.—If the Secretary fails to notify an authority of approval or disapproval of an application and plan submitted under this subsection before the expiration of the 60-day period beginning upon the submission of the plan or fails to provide notice under paragraph (7) within the 15-day period under such paragraph to an authority whose application has been disapproved, the application and plan shall be considered to have been approved for purposes of this section.

(b) LHMA'S WITH FEWER THAN 250 UNITS AND OWNERS OF FEDERALLY ASSISTED LOW-INCOME HOUSING.—

(1) APPLICATIONS AND PLANS.—To be eligible to receive a grant under this chapter, a local housing and management authority that owns or operates fewer than 250 public housing dwelling units or an owner of federally assisted low-income housing shall submit an application to the Secretary at such time, in such manner, and accompanied by such additional information as the Secretary may require. The application shall include a plan for addressing the problem of crime in and around the housing for which the application is submitted, describing in detail activities to be conducted during the fiscal year for which the grant is requested.

(2) GRANTS FOR LHMA'S WITH FEWER THAN 250 UNITS.—In each fiscal year the Secretary may, to the extent amounts are available under section 5131(b)(2), make grants under this chapter to local housing and management authorities that own or operate fewer than 250 public housing dwelling units and have submitted applications under paragraph (1) that the Secretary has approved pursuant to the criteria under paragraph (4).

(3) GRANTS FOR FEDERALLY ASSISTED LOW-INCOME HOUSING.—In each fiscal year the Secretary may, to the extent amounts are available under section 5131(b)(3), make grants under this chapter to owners of federally assisted low-income housing that have submitted applications under paragraph (1) that the Secretary has approved pursuant to the criteria under paragraphs (4) and (5).

(4) CRITERIA FOR APPROVAL OF APPLICATIONS.—The Secretary shall determine whether to approve each application under this subsection on the basis of—

(A) the extent of the crime problem in and around the housing for which the application is made;

(B) the quality of the plan to address the crime problem in the housing for which the application is made;

(C) the capability of the applicant to carry out the plan; and

(D) the extent to which the tenants of the housing, the local government, local community-based nonprofit organizations, local tenant organizations representing residents of neighboring projects that are owned or assisted by the Secretary, and the local community support and participate in the design and implementation of the activities proposed to be funded under the application.

In each fiscal year, the Secretary may give preference to applications under this subsection for housing made by applicants who received a grant for such housing for the preceding fiscal year under this subsection or under the provisions of this chapter as in effect immediately before the date of the enactment of the United States Housing Act of 1996.

(5) ADDITIONAL CRITERIA FOR FEDERALLY ASSISTED LOW-INCOME HOUSING.—In addition to the selection criteria under paragraph (4), the Secretary may establish other criteria for evaluating applications submitted by owners of federally assisted low-income housing, except that such additional criteria shall be designed only to reflect—

(A) relevant differences between the financial resources and other characteristics of local housing and management authorities and owners of federally assisted low-income housing; or

(B) relevant differences between the problem of crime in public housing administered by such authorities and the problem of crime in federally assisted low-income housing.

SEC. 5126. DEFINITIONS.

For the purposes of this chapter:

[(1) CONTROLLED SUBSTANCE.—The term "controlled substance" has the meaning given such term in section 102 of the Controlled Substance Act (21 U.S.C. 802).

[(2) DRUG-RELATED CRIME.—The term "drug-related crime" means the illegal manufacture, sale, distribution, use, or possession with intent to manufacture, sell, distribute, or use a controlled substance.]

[(3)] *(1)* SECRETARY.—The term "Secretary" means the Secretary of Housing and Urban Development.

[(4)] *(2)* FEDERALLY ASSISTED LOW-INCOME HOUSING.—The term "federally assisted low-income housing" means housing assisted under—

(A) section 221(d)(3), [section] 221(d)(4), or 236 of the National Housing Act;

(B) section 101 of the Housing and Urban Development Act of 1965; or

(C) section 8 of the United States Housing Act of 1937.

(3) LOCAL HOUSING AND MANAGEMENT AUTHORITY.—The term "local housing and management authority" has the meaning given the term in title I of the United States Housing Act of 1996.

SEC. 5127. IMPLEMENTATION.

The Secretary shall issue regulations to implement this chapter within 180 days after the date of enactment of the [Cranston-Gonzalez National Affordable Housing Act] *United States Housing Act of 1996*.

SEC. 5128. REPORTS.

The Secretary shall require grantees to provide periodic reports that include the obligation and expenditure of grant funds, the progress made by the grantee in implementing the plan [described in section 5125(a)] *for the grantee submitted under subsection (a) or (b) of section 5125, as applicable,* and any change in the incidence of [drug-related crime in] *crime in and around* projects assisted under this chapter.

* * * * * * *

[SEC. 5130. AUTHORIZATION OF APPROPRIATIONS.

[(a) IN GENERAL.—There are authorized to be appropriated to carry out this chapter $175,000,000 for fiscal year 1993 and $182,350,000 for fiscal year 1994. Any amount appropriated under this section shall remain available until expended.

[(b) SET-ASIDES.—Of any amount made available in any fiscal year to carry out this chapter, not more than 6.25 percent of such amount shall be available for grants for federally assisted, low-income housing. Notwithstanding any other provision of law, of any amounts appropriated for drug elimination grants under this chapter for fiscal years 1993 and 1994, not more than 6.25 percent shall be available for grants for federally assisted low-income housing and 5.0 percent shall be available for public housing youth sports program grants under section 520 of the Cranston-Gonzalez National Affordable Housing Act.

[(c) SET-ASIDE FOR YOUTH SPORTS PROGRAMS.—Of any amount made available in any fiscal year to carry out this chapter, 5 percent of such amount shall be available for public housing youth sports program grants under section 520 of the Cranston-Gonzalez National Affordable Housing Act for such fiscal year.]

SEC. 5130. FUNDING.

(a) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this chapter such sums as may be necessary for fiscal year 1996.

(b) ALLOCATION.—Of any amounts available, or that the Secretary is authorized to use, to carry out this chapter in any fiscal year—

(1) 85 percent shall be available only for assistance pursuant to section 5125(a) to local housing and management authorities that own or operate 250 or more public housing dwelling units;

(2) 10 percent shall be available only for assistance pursuant to section 5125(b)(2) to local housing and management authorities that own or operate fewer than 250 public housing dwelling units; and

(3) 5 percent shall be available only for assistance to federally assisted low-income housing pursuant to section 5125(b)(3).

SEC. 5131. PROGRAM TERMINATION.

The program under this chapter shall terminate at the end of September 30, 1996. No grants may be made under the program after such date.

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ADDITIONAL VIEWS OF THE HONORABLE RICHARD H. BAKER

The "United States Housing Act of 1995" is a well-thought plan to rectify the serious problems with public housing in this country. Chairman Rick Lazio (R-NY) has compiled a bold and comprehensive bill that I believe will serve to improve the housing condition of our most unfortunate Americans, yet provide a market-based incentive to build and maintain housing at the lowest public cost.

My concern about public housing centers on the residents in my state who live in these properties. As is the case in most states, I presume, most of the public housing authorities in Louisiana maintain public housing exceedingly well. In fact, they quietly provide decent housing at a time when demand is great and resources are limited.

Like most states, the particular irony of public housing in Louisiana is that the overwhelming perception of housing assistance is a mismanaged, overly bureaucratic, and excessively expensive system. In Louisiana, that perception is largely due to two large public housing authorities—the Lafayette Housing Authority (LHA) and the Housing Authority of New Orleans (HANO). Both are among the lowest performing housing authorities in the country, and together with a very few mismanaged housing authorities, they define the nationwide perception of most Americans that our federal housing policies have failed.

While much of the public housing in Louisiana is decent and liveable, housing conditions in the City of New Orleans—which I have personally witnessed—are deplorable for many of HANO's residents. Significant amounts of federal grants and subsidies are not being expended efficiently or effectively, and the Department of Housing and Urban Development has failed to exercise adequate oversight of HANO for most of the last decade.

The scope of this problem is broad and I believe that it warrants immediate attention. HANO is the seventh largest housing authority in the nation, receiving over $30 million in operating subsidies and managing nearly 14,000 public housing units. HANO currently has over 700 vacant units at a time when over 4,000 families are on the waiting list for public housing. Moreover, many of the occupied units are in dire need of repair and maintenance. During my tour of Desire—one of HANO's most notorious developments—I found that residents were living in and next to buildings that were literally falling apart. They had deteriorated walls and caved in roofs.

However, I also found that HANO does not lack the funds to improve the resident's housing conditions. For instances, over 95 percent of the $170 million that Congress has appropriated for modernization and development in HANO remains unspent by the

housing authority. These conditions must be remedied, their causes determined, and potential solutions identified.

One bold effort to solve these problems and remedy these conditions is H.R. 2406, "The United States Housing Act of 1995," a responsible and progressive effort to reform public housing. This bill will benefit the tenants of public housing as much as it will serve the taxpayers. The bill takes a comprehensive and progressive approach by repealing the Housing Act of 1937. The legislation completely rethinks how best to allocate our limited resources to the most effective delivery of housing for our most needy citizens. Particular to my interest are the provisions which impose a "death-penalty" on the worst public housing authorities and restores local control to local communities. In addition, I strongly favor the language which requires residents to work and cracks down on drug and alcohol abuse in public housing.

The bill affirms what is true in my state: most public housing authorities are effective managers and should be given more flexibility to maintain their properties. Giving the authorities the ability to develop mixed-income communities and the flexibility to better manage local housing stock without the limitation of the one-for-one replacement mandate are two positions which I have long advocated for.

I commend Chairman Lazio for his bold plan to reform public housing. With his efforts, together with my colleagues on the Housing Subcommittee and the Full Banking Committee, we have advanced a bill that will substantially improve the housing and quality of life of our most needy citizens. We have ended the cycle of dependency on the federal government and demands for more money. With "The United States Housing Act of 1995," we have reaffirmed that people locally can and will address the fundamental needs of its communities.

RICHARD H. BAKER.

ADDITIONAL VIEWS OF THE HONORABLE PETER T. KING

On November 9, 1995, the Committee approved the U.S. Housing Act, HR 2406. I would like to commend Housing Subcommittee Chairman Lazio for the work he has done to streamline public housing policy. His comprehensive review of these programs has resulted in legislation which will provide for greater flexibility, increased accountability and better living conditions for residents in public housing.

The King Amendment which is included in HR 2406 requires HUD Secretary Henry Cisneros to provide full account of HUD's contractual relationship with Nation of Islam leader Louis Farrakhan's security companies. I am very appreciative of Chairman Lazio's willingness to incorporate my amendment into the Manager's Amendment which he offered for the Committee's approval on November 2.

Over the past two years, I have uncovered information that shows that HUD has had over $20 million in contracts with Nation of Islam security companies in cities all across the country.

Since 1994, I have requested Secretary Cisneros to provide detailed information on the number, duration and cost of contracts that HUD has entered into with security companies affiliated with Nation of Islam leader Louis Farrakhan, a renowned racist and anti-Semite. In a March 1995 hearing into this situation, the Subcommittee on General Oversight and Investigations heard testimony from Secretary Cisneros where he not only defended HUD's contractual relationship with Farrakhan but compared the Nation of Islam to organizations like Catholic Charities, the Salvation Army and B'nai B'rith. It is simply outrageous to compare the good works of these organizations with the Nation of Islam whose leaders spew a most vile message of bigotry, hate and intolerance.

In 1994, HUD's own Inspector General issued a report outlining HUD's failure to follow proper procurement practices in Baltimore. This investigation revealed that HUD did not follow procurement regulations in requiring full and open competition when it awarded over $4.1 million in security contracts to firms who did not submit the lowest reasonable bid.

In addition the Inspector General's report uncovered that unlicensed employees of the Nation of Islam Security Agency were performing security functions. A review of Maryland State Police licensing records indicated that only 72 employees were state certified; 60 had pending applications; and 29 employees were disapproved for prior felony convictions. On November 8, 1995, HUD finally ordered the Housing Authority of Baltimore City to terminate its contract with the Nation of Islam Security Agency.

Continued pressure from myself and Senator Dole resulted in a cursory review of Farrakhan-controlled contracts in January of 1995. Although woefully inadequate and incomplete, HUD's so-

called review provided information on at least 15 contracts in 12 cities totaling millions of dollars. Since that time, Secretary Cisneros has continued to stonewall Congress by refusing to provide additional information on these contracts and to investigate the alleged anti-discriminatory hiring practices of these Farrakhan-controlled companies.

The King Amendment will end the preferential treatment the Nation of Islam has been receiving and ensure that HUD will fulfill its enforcement responsibilities. It is my hope that once the details of these contracts are exposed, HUD will end Farrakhan's federal hate subsidy.

I am pleased that several prominent organizations and individuals such as the Jewish War Veterans, the American Jewish Congress, the Catholic League for Peace and Justice, the American Jewish Committee and former New York City Mayor Ed Koch have endorsed my amendment.

PETER T. KING.

THE AMERICAN JEWISH COMMITTEE,
THE JACOB BLAUSTEIN BUILDING,
New York, NY, November 15, 1995.

Hon. PETER KING,
U.S. House of Representatives,
Washington, DC.

DEAR CONGRESSMAN KING: The American Jewish Committee commends you for your efforts which led to inclusion of the "King Amendment" in the U.S. Housing Act of 1995 (H.R. 2406). This provision will require the Department of Housing and Urban Development to investigate when complaints indicate that federally funded security contractors in public housing projects may have engaged in discriminatory hiring practices or if there are indications that there may have been bidding irregularities in the issuance of their contracts. If contracts are not in compliance, the King Amendment directs that HUD take steps to bring those contracts into full compliance or terminate them.

We have for some time been greatly concerned by the problem of Nation of Islam-affiliated organizations that receive government contracts, including but not limited to the use of NOI security services in federally funded public housing. As were you, we were troubled by last March's Congressional hearing, at which HUD Secretary Henry Cisneros compared the Nation of Islam with community service organizations such as the Salvation Army, Catholic Charities and B'nai B'rith and suggested that, in any event, it was not within HUD's jurisdiction to deal with claims that federally funded NOI security firms had engaged in discrimination.

The Nation of Islam and its primary spokespeople promote racism, hatred and violence. If the NOI security affiliates are, as we believe likely, reflective of the ideology, practice and personnel of the Nation of Islam, these agencies may be operating in violation of laws enjoining discriminatory employment practices. Certainly, where complaints so warrant, the government should review con-

tracts with NOI affiliates and void them if violations of law are uncovered that cannot be remedied.

We are indebted to you for the seriousness with which you have addressed the problem of NOI-affiliated organizations that receive government contracts, including your introduction last year of legislation directed at federally funded contracts with hate groups, your leadership role in bringing about last March's Congressional oversight hearing, and, now, your work in including the King Amendment in H.R. 2406.

You may recall that in correspondence last year we suggested revisions to your earlier bill in order to address First Amendment concerns. We are gratified that the King Amendment, in requiring investigation of complaints of discrimination and other irregularities, and setting forth next steps in the event of noncompliance with applicable law, is consistent with those suggested revisions.

In recent days the Department of Urban and Housing Development has, at long last, ordered that the Baltimore Housing Authority cancel a security contract with an NOI affiliated company because of contract bidding irregularities. Notwithstanding this laudable step, we believe that the King Amendment remains an appropriate addition to the law. We will be pleased to support the King Amendment's continued inclusion in the Housing Act as the bill moves forward.

Sincerely yours,

DAVID A. HARRIS,
Executive Director.

CATHOLIC LEAGUE,
FOR RELIGIOUS AND CIVIL RIGHTS,
October 23, 1995.

Hon. PETER KING,
House of Representatives,
Washington, DC.

DEAR CONGRESSMAN KING: The Catholic League for Religious and Civil Rights strongly supports the amendment that you have proposed to the U.S. Housing Act of 1995, HR 2406. It is due to the delinquency of the Department of Housing and Urban Development that security contracts have not been adequately screened, allowing, perversely, for public funding of hate groups.

The Nation of Islam has a long track record of anti-Catholic and anti-Semitic bigotry, and that is why the Catholic League vehemently objects to the federal government extending contracts to the organization. HUD has an obligation to investigate how and why the National of Islam qualifies for public funding, and since it won't do so voluntarily, it makes it imperative that your amendment succeed.

As president of the nation's largest Catholic civil rights organization, I can say without equivocation that nothing is more disturbing than to find instances of taxpayer-funded bigotry. Your amend-

ment addresses this issue and has therefore merited the support of the Catholic League.

Sincerely,

WILLIAM A. DONOHUE,
President.

ROBINSON SILVERMAN PEARCE ARONSOHN
& BERMAN LLP,
1290 AVENUE OF THE AMERICAS,
New York, NY, November 13, 1995.

Hon. PETER T. KING,
House of Representatives,
Washington, DC.

DEAR PETER: Thanks for your letter of November 7th.

Congratulations on your success, which I have already reported on, with respect to preventing HUD from using companies linked to Louis Farrakhan to provide security at public housing projects. You have done a terrific job in exposing the Nation of Islam and its bigotry.

All the best.

Sincerely,

EDWARD I. KOCH.

ADDITIONAL VIEWS OF THE HONORABLE MAURICE D. HINCHEY

I generally support some of the broad goals of H.R. 2406, and applaud the efforts to reform the federal public housing programs. This legislation takes some constructive steps in relieving local housing authorities of burdensome federal requirements and providing for a better income mix in public housing. These are a few important steps that are needed to address the housing crisis in this nation.

One of my primary concerns about the U.S. Housing Act, however, is the specific provision that would eliminate the Brooke amendment. This is an unwise policy choice for this nation because it will force hundreds of thousands of low- and middle-income families to pay substantially more toward rent during a time of declining wages and living standards. Eliminating rent ceilings would further widen the growing gap between the rich and the poor, which is a trend that we can ill afford to facilitate.

As amended in the early 1980's, the Brooke amendment ensures that residents in public or assisted housing pay no more than 30% of their monthly income in rent. This rent ceiling protects working people, seniors, and the disabled from exorbitant housing costs at a time of decreasing economic opportunities, higher costs of living, and rising health care expenses.

During the mark up of H.R. 2406, the Committee rejected the amendment of Congressman Barney Frank to preserve rent ceilings for all residents in public and assisted housing. An amendment I subsequently offered would have preserved the ceiling more narrowly for seniors and the disabled, who are the most vulnerable members of our society. My amendment was not adopted in one of the closest votes by our Committee in recent memory.

There are currently more than 350,000 senior citizens receiving Section 8 assistance, and over 400,000 seniors resident in public housing nationwide. Under the bill, all of these residents will be potentially subject to large increases in rent. In the state of New York, senior or disabled citizens reside in about one in two federally-assisted housing households. In my Congressional District, that number is even higher.

It is unfair to compel low- and middle-income elderly residents to pay more for their housing. Under other legislation that has passed Congress, seniors are asked to pay more for their Medicare premiums and copayments. They are being told to pay more than $50 billion more for their health care coverage and pay more for food and other basic items due to broad cuts in food stamps and other essential programs. The bill in its current form would require many elderly households to pay an estimated $150 to $400 more in rent next year as well. I am concerned that many families would

be forced to choose between housing or health care, rent or medicine, and many may end up on the streets.

I believe that the U.S. Housing Act would be vastly improved by preserving the current rent ceiling named for a former Republican Senator from Massachusetts. If it cannot be preserved for everyone, then it should at least be preserved for senior citizens and the disabled.

MAURICE D. HINCHEY.

ADDITIONAL VIEWS OF MR. GUTIERREZ

I am strongly opposed to H.R. 2406 as passed by the Committee on Banking and Financial Services on November 9, 1995. I believe this bill is filled with provisions and initiatives that will prove to be detrimental to the families who currently live in public housing. At the Committee mark-up, I offered three amendments that would have helped to ensure that public housing would be available and affordable to those families who need it most and that public housing residents would be given the same opportunities available to those who by virtue of a higher income live in private housing. All three amendments were rejected by the majority members of the Committee.

The bill introduced by Chairman Lazio permitted families of up to 80 percent of median income to be eligible for public housing. I believe this is too high. Currently, 95 percent of the households served by public housing are below 50 percent of median income. If housing authorities were given the authority to include families up to 80 percent of median income, I believe the most needy would be excluded.

Due to recent and future budget cuts, the ability of LHMA's to increase the supply of public housing will be greatly diminished. As families with higher incomes move into public housing over time, those least able to afford housing will be forced to find alternate housing, which in many cases will mean overcrowded housing, homeless shelters or the streets. The amendment I offered sought to prevent this from happening. In Chicago, 80 percent of median income is more than $40,000. In Illinois' 4th Congressional District, $40,000 is 173 percent of median income. I believe that LHMA's will concentrate on moving families at 80 percent of median income into public housing and moving families from my district out. I believe we must work to prevent this from happening.

Secretary Cisneros, in a letter to Chairman Lazio, stated that it is possible to increase the median income of public housing from 17 percent of area median income, as is the case in public housing today, to about 30 percent by placing the upper limit at 60 percent of area median. This is what my amendment proposed to do. The language I suggested would have required eligible families to have incomes at or below 60 percent of median, but would have given LHMA's the authority to increase this to 80 percent if HUD determined an increase would be beneficial to the community and its low-income citizens. Unfortunately, the Committee failed to adopt this amendment. However, after several hours of persuasive debate, Chairman Lazio did agree to target 25 percent of available public housing units to families at or below 30 percent of median income.

Tenants will also be negatively affected by provisions contained in H.R. 2406 that repeal the Brooke amendment. Repeal of the

Brooke amendment, in conjunction with other provisions in this bill and cuts in child care and child nutrition programs and Medicaid and elimination of the Earned Income Tax Credit, all passed by this House in 1995, will have a devastating effect on the ability of very low-income citizens to secure housing. This bill's repeal of the Brooke amendment, along with giving LHMA's the authority to set minimum and maximum rents, lack of income targeting, elimination of federal preferences and designating earned income as a permissible, rather than mandatory exclusion from adjusted income will mean that the poorest people can no longer afford even public housing.

Congressman Barney Frank and I offered an amendment to ensure that tenants do not pay more than 30 percent of their incomes for rent. Over and over, Congress has considered legislation designed to encourage savings. Yet this bill again treats poor people differently. LHMA's will be desperate for dollars. To make up for lost Federal subsidies, LHMA's will be forced to require tenants to pay more of their incomes for rent. By allowing LHMA's to charge tenants more than 30 percent of their incomes for rent, we are ensuring that very low-income families will stay exactly where they are—they will have a very difficult time putting any money in savings and in turn, a difficult time moving out of public housing. Again, the majority members of the Banking Committee failed to support the families across this nation who are struggling every day to make ends meet.

In addition, I believe this bill contains provisions that decay public housing residents fairness in the workplace. The amendment I proposed struck the language from the bill that allows public housing residents to be paid non-Davis-Bacon wages for the same work as non-public housing residents, who are required to be paid Davis-Bacon rates. I, as well as many of my colleagues, believe that if residents are doing the same job, working the same hours, and are expected to produce the same quality, they should be paid the same wages. If qualified individuals living in an LHMA's jurisdiction want to work, it would greatly benefit the LHMA to hire residents instead of outside workers. By hiring qualified residents and paying them livable, decent wages, the LHMA is making an investment in the future. I do not believe that this Congress should be a force that encourages people to work for unfair wages and render them unable to leave public housing.

By including the Davis-Bacon exemption, this bill creates an unacceptable double standard. The bill, as it currently is written, tells low-income Americans living in public housing that fairness and decency is for other people. That a fair day's pay for a fair day's work is for other people. The amendment, rejected by my Republican colleagues, was a chance for our committee to say that fairness and decency are for every American—not just some Americans.

H.R. 2406 forgets why we have public housing. Low-income residents, if they are able to afford public housing, will be trapped in public housing—forced to accept lower wages and pay more of their income for rent. I was extremely disappointed that the Republicans failed to adopt any of the amendments I offered. I believe these three amendments would have ensured equality, opportunity, and

housing availability for low-income residents across our nation. I did not support passage of this bill at the Committee and for these same reasons will continue to oppose its passage if it reaches the House floor.

LUIS V. GUTIERREZ.

MINORITY VIEWS TO ACCOMPANY H.R. 2406, THE UNITED STATES HOUSING ACT OF 1995

While there are many provisions and policy changes included in H.R. 2406 which are to be applauded, 17 Democratic members and one Independent member voted against reporting the United States Housing Act of 1995 from the Committee on Banking and Financial Services. H.R. 2406 represents a dramatic restructuring of the public and tenant based section 8 housing programs that will have consequences, perhaps unintended, detrimental to the very families the programs were intended to serve, the nation's most vulnerable.

Indeed, although symbolic, H.R. 2406 repeals the basic underpinnings of housing law, the U.S. Housing Act of 1937. The bill establishes an entirely new statutory framework for the public housing and tenant based rental assistance programs in ways which mirror much of the Republican driven legislation in the 104th session of Congress—block grants with few federal standards at a time of declining resources, inevitably leading to poorer services. In many ways, we agree with the majority's assessment that the public and section 8 housing programs need major and significant reforms. In fact, in the 103rd Congress, the House passed similar reforms by a broad bipartisan vote—deregulation demonstrations for high performing public housing agencies, rent reforms, reforms of the drug elimination grant program, reform of the one for one replacement requirements, streamlining the section 8 requirements modeled after the conventional real estate market, and the merger of the section 8 certificate and voucher programs.

While H.R. 2406 includes those reforms, the Committee bill simply goes too far. The two policy shifts that Democrats believe will have the most adverse impacts are greater rent burdens for low income residents by repealing the Brooke amendment and the relaxed targeting of housing assistance. These changes will harm the public housing program, the new choice based rental housing program, which replaces the section 8 program, current residents and those who have waited sometimes for years for assisted housing.

RENT SETTING AND BROOKE AMENDMENT

From its enactment in 1969, the Brooke amendment named after former Senator Edward Brooke (R–MA.), its sponsor, was intended to protect the most vulnerable residents of public housing and later those with section 8 assistance from paying too high a percentage of their incomes for rent. The rent to income ratio of first 25 percent and then 30 percent was thought to be a reasonable contribution in relation to the limited incomes of eligible residents. Under current law, federal preference for housing assistance is given to families who pay more than 50 percent of income for rent, among other reasons, and the 50 percent figure is used by HUD and acad-

emicians to determine the number of poor families with worst case scenarios.

We are concerned that H.R. 2406 gives housing authorities broad authority to set rents within a minimum and maximum without the protection of the Brooke amendment. Although demographics of the residents are to be considered in adopting the new rent schedules, the primary consideration in determining rent schedules will be public housing operating costs and the market, not the fixed or limited incomes of residents. With cuts in public housing operating subsidies, we are concerned that many local housing management agencies (LHMA), in the new lexicon of this bill, will be compelled to raise rents to make up funding shortfalls, making public housing unaffordable to many current residents.

We would urge local housing management agencies not to devise rent schedules that would have the effect of driving current residents from their homes because they are unable to pay the rent and other necessities, such as food, clothing, medicine, and child care. Although Committee Democrats agree with the desirability of mixed income communities, we would urge LHMAs not to seek only families with higher incomes and greater rent paying ability, shutting out those on the waiting lists who are very low income until just the right income mix is achieved to generate sufficient operating income.

For many families rent increases will force families to choose between shelter and food or clothing, or food and medicine. We are aware that 75 percent of the families in public housing have incomes below 30 percent of median income. The median income of a public housing resident is a meager $6400. The median income for families with children is $6200, for the elderly, $7000 and for persons with disabilities, a mere $5700. The average rent is $169 monthly for all public housing residents; $163 for families with children, $178 for the elderly and $152 for persons with disabilities. These rents generally reflect 30 percent of a family's income because of the Brooke amendment's protection.

The income levels of the section 8 rental assistance program are similar. The median income of a section 8 certificate holder is $6900 and a voucher holder $7270. For families with children median income is $7100 for a certificate holder and $7500 for a voucher holder, for the elderly certificate holder, $7800 and the elderly voucher holder, it's $8200; for persons with disabilities with a certificate, a mere $7000 and with a voucher, nearly $7100. The average rent is $172 monthly for all certificate holders and $185 for voucher holders.

We take note that the FY 1996 House HUD–VA appropriations bill included raising section 8 rents from 30 percent of income to 32 percent of income to save renewal costs and outlays. That very small increase would have meant an increase on average of $140 yearly per family. The Committee bill includes no limit on the percentage increase for resident rental payments. We are deeply concerned that the current assisted residents are some of the most vulnerable families, those who may become homeless if rents are raised. We recognize that the public housing program and the rental assistance program were designed for those families that could not obtain housing in the private market without federal assist-

ance. That was the case in 1937 and in subsequent years as the 1937 Act was amended and that remains the case today. In repealing the Brooke amendment, failing to replace it with alternative resident protections from rents they cannot afford, and acquiescing to decimated federal subsidies, H.R. 2406 fundamentally alters the essential role that the federal government should play in providing housing assistance to our most vulnerable citizens.

Representatives Frank and Gutierrez offered an amendment to H.R. 2406 during the mark-up which would have capped a family's rental contribution at 30 percent of income. Unlike the Brooke amendment, it did not mandate a flat rent of 30 percent of income. Adopting a flexible rent to income ratio capped at 30 percent would have permitted very low income families to pay less than 30 percent of their limited incomes for rent. Those families would include many native American Indians whom Ms. Jacqueline Johnson, President of the Native American Indian Housing Council, eloquently described. Along with other provisions included in the Committee bill, it would have permitted ceiling rents or maximum rents to be charged as well. Families would not have been penalized by paying higher rents when earning higher incomes; and it would have fostered mixed income communities which we all support. That amendment was defeated on a straight party line vote.

Representative Hinchey offered an amendment that would have capped rents at 30 percent of income for the elderly and disabled. The amendment would have at least protected nearly 30 percent or 1.2 million of the 4 million families in the public and section 8 programs from possible rent gouging in the face of reduced federal subsidies. In a hotly contested vote, the amendment failed.

We believe that most LHMAs will not raise rents intentionally and unconscionably because they want to drive very low income families out of the programs, but that LHMAs may be forced to raise rents and establish rent schedules harmful to very low income families because of reductions in federal assistance. Unfortunately during the legislative process preceding the Committee mark-up, we were provided no data and no projections from housing authorities as to how LHMAs would implement their new rent setting authority. We, therefore, had little comfort that repeal of the Brooke amendment would not be harmful to tenants and in the worst case scenarios may indeed lead to an increase in homelessness. Fortunately, the Committee adopted two amendments offered by Representative Vento that would ensure at least the impact of new LHMA policies and procedures on homelessness would be considered in the LHMAs' required Neighborhood Improvement Plan, the new document which will set the future course of LHMAs and provide benchmark for evaluating LHMAs' performances.

Nonetheless, the disappointing rejection of many Democratic amendments is but one more example of the Republican strategy of divining policy by the numbers without considering the impact on very low income families. We would urge the majority to reconsider its position against the outright repeal of Brooke amendment or some similar protection against exorbitant rents as the legislative process continuous.

We are pleased that several Democratic amendments to the bill have been adopted that will mitigate the more harmful effects of

the repeal of the Brooke amendment on very low income families. Because of an amendment offered by Representative Gonzalez, the minimum rent contribution was reduced to $25 from $50. According to HUD, a minimum rent of $50 would impact upon 132,000 public housing families, an automatic rent increase of $346 per year; for some 10,000 elderly families the annual rent increase would approach $452 per year with a minimum rent of $50. Therefore requiring a $25 minimum rent, including utilities, is a significant improvement.

Further the bill also includes an amendment, offered by Representative Gonzalez, which would phase-in rent increases above the minimum rent for those families whose rents would increase as a result of the repeal of the Brooke amendment. Finally an amendment offered by Representative Roybal-Allard requires each LHMA to provide an analysis of the impacts of their new rent schedules on residents of public housing. If a significant percentage of families are paying in excess of 30 percent of their income for rent; then the Secretary may require the LHMA to revise its rent schedule to lower family rental contributions. We expect that revised rent schedules will not be implemented after too many families have been adversely effected; and that those families who have been harmed will have some recourse. (The Committee bill also includes another amendment offered by Representative Roybal-Allard to analyze the impacts of the new targeting rules, as described below.)

We are also pleased that the Committee bill included provisions for ceiling rents or maximum rents, another of the provisions from last Congress's House passed housing bill. Like the majority, we believe that ceiling rents are critical to rent reform and to attracting and keeping families, especially the "working poor", in public housing. We are aware that more than 25 percent of the residents of public housing have earned income.

We believe it makes no sense to penalize families who earn more by charging them higher rents. Indeed, we understand in certain high cost areas like New York City, without ceiling rents it would often be less expensive to move out of public housing into private housing of a higher quality. Ceiling rents will encourage mixed income communities which will help break the destructive concentration of very poor families in public housing. On this issue, we agree wholeheartedly with the majority and H.R. 2406. However, we do not agree with the majority about the complete shift of incomes among residents in assisted housing that is part of the design of H.R. 2406 as reported.

TARGETING OF ASSISTANCE

To that end, we support increased targeting of assistance to families with incomes below 30 percent of the area median income. The Committee print established income eligibility at below 80 percent of median with no targeting to very low income families. We are pleased that a compromise position between Representative Kennedy and the majority on targeting of assistance has been adopted; but we fear that the targeting remains too lax and is much less than originally envisioned by the Kennedy amendment. Targeting 25 percent of the federal assistance to families below 30 percent of median income is insufficient.

Current law requires that between 75 percent and 85 percent of the families admitted to public and section 8 housing have incomes below 50 percent of median. Further, current law requires the housing agencies to admit mostly families with federal preferences. This statutory requirement has had the effect of housing mostly families who are among the "poorest of the poor."

While we support the repeal of federal preferences, we believe that this must be accompanied by deeper targeting then is the case in H.R. 2406. We understand that the majority's objective is to give LHMAs complete control of their operations and to change the income mix of the residents of assisted housing, but as Secretary Cisneros pointed out in his letter expressing the Administration's grave reservations about H.R. 2406:

> We fear that over time this unnecessary relaxation of important rules will alter the fundamental mission of public housing: to serve low income Americans unable to find decent and safe shelter in the private market.

The original Kennedy amendment would have targeted 40 percent of public housing units to households with incomes with 30 percent of area median income or below, and would have allowed no more than 15 percent of the units to be made available to households with incomes between 60 percent and 80 percent of median. We understand that the Administration would have targeted assistance as follows: 40 percent below 30 percent of median and the remainder below 60 percent of median income. We are disappointed that an amendment offered by Representative Gutierrez which would have limited overall eligibility for public and assisted housing to those families below 60 percent of median was not adopted.

HUD's statistics and economic modelling suggest that the rental income earned by targeting assistance at or below 80 percent of median and providing assistance to families earning between 60 percent and 80 percent of median would be negligible with the authority to set ceiling rents. HUD's data suggests that ceiling rents generally kick in when incomes are around 55 percent of an area's median. However, there would be other benefits to public housing communities by allowing broader participation in the program.

Targeting assistance so loosely, like the repeal of the Brooke amendment protection, we fear will fundamentally shift the focus of federal assistance too far from very low income families, all in the name of mixed income developments, reform, local control, and to make up the shortfall from the loss of federal subsidies. Currently, the median income for public housing residents is 17 percent of area median income. We are concerned that the 25 percent target will become a maximum for new admittants to public housing so that the median income can increase more quickly.

HUD estimates that if LHMAs could simply raise the median income to 30 percent as it had been in the early 1980s, operating subsidies could be reduced by around $800 million, nearly one-third. Moreover, LHMAs could easily meet the goal of making public housing available to working people and creating mixed-income communities with the targeting in the Kennedy or Gutierrez amendments. Specifically, full time workers earning the minimum wage still make under 30 percent of area median income in all of the top 50 metropolitan areas in the country. Hence, the deeper

targeting of the Democratic amendments is wholly consistent with the goal of encouraging work.

We believe that the increases in income can occur even if the targeting of assistance is deeper. Even with some loosening of targeting of current law, but greater than that in the Committee bill, and the retention of the Brooke amendment or some similar protection, income to the property from rents will increase. Higher income residents will pay higher rents to offset the lower rents from lower income families.

The targeting issue with respect to the rental assistance program is very different. The intent of the rental assistance program is to integrate and disperse low and very low income families into neighborhoods and the conventional real estate market where incomes are generally higher—the same mixed income goal as in public housing, but the opposite problem.

We also recognize that the families with the most serious housing needs are those with the lowest incomes. HUD data indicates that of unassisted families with incomes below 20 percent of median more than 71 percent have severe housing problems. These are the precise families who could be helped by the rental assistance program that would integrate them into mixed income neighborhoods.

Because tenant-based assistance is not tied to particular housing projects, there is no inherent concentration of very poor households. In fact, well run tenant-based assistance programs ensure broader economic integration. Under these circumstances, there is simply no justification for refusing to target the maximum number of rental vouchers to those earning under 30 percent of area median income. Yet, the Kennedy amendment to require 75 percent of such assistance to this population was defeated.

Therefore, we strongly believe that the targeting for the rental assistance program should be considerably deeper than the 25 percent included in the Committee bill, and deeper than the targeting to very low income families for the public housing program.

We also believe that the targeting in H.R. 2406 will exacerbate the problem of the lack of affordable housing, particularly for very low income families. The Center for Budget and Policy Priorities study, In Short Supply: The Growing Affordable Housing Gap, determined that the number of low income renters exceeded the number of affordable rental units by 4.7 million low income renters. According to the study, the nation has lost 43 percent of its affordable housing supply, some 2.2 million housing units, over the last two decades. Among renter households, at least 13 percent in every state spent 50 percent or more of their income to cover the rent. More than 5.6 million families today pay more than 50 percent of their incomes for rent, or live in substandard housing.

Loose targeting with real protection against onerous rents may not be so harmful to very low income families. Similarly, tight targeting without the iron clad protection of rent caps may not be so harmful. But in combination, we believe the Committee bill may aggravate homelessness and harm the most vulnerable residents. Families unable to pay increased rents may become homeless and the very low income families waiting for public housing or rental assistance may simply be too poor for LHMAs to assist and they,

too, may become homeless. It is ironic that public housing is criticized for warehousing and concentrating the poor, often in deplorable conditions while the policies in the Committee bill may relegate those too poor for public housing and rental assistance to homeless shelters, which are often no more than barracks, dormitories, or warehouses.

BLOCK GRANT IN PUBLIC HOUSING

The Committee bill establishes one block grant to be provided by formula to LHMAs so that federal control and regulation can be streamlined or ended and authority for their own actions "devolved" to LHMAs. We believe that establishing one block grant with few federal controls or guidelines will not provide sufficient funding or standards to ensure the sound management and operations of the more than 3400 housing authorities. Currently LHMAs receive at least two streams of funding, operating subsidies and modernization funds. They may also compete for additional funding for development, revitalization of severely distressed public housing and drug elimination grants.

We are concerned that no one formula can adequately reflect operating and modernization needs. They are entirely different expenses. A formula that needs to take into account rental income is far different from a formula that must consider backlog or accrued modernization needs. If the categories of expenses are kept separate in the formula; then why establish only one block grant?

We fear that the one formula is simply an effort to reduce funds available to housing authorities. If the few additional programs that are available under current law for housing authorities, in addition to operating subsidies and modernization, are expected to be funded from the one block grant , the costs would eat up the fund. Further it may lead to one or the other activity—operations or modernization—being neglected, one type of expense driving out the other.

We are pleased that the Committee adopted amendments that provide for at least for one year of separate funding for an enhanced drug elimination grant program and a reformed severely distressed housing program. We believe that both separate funds are essential if the public housing program is to be reformed and revitalized, and if housing authorities are to have sufficient funds available to them.

COMPAC

An amendment offered by Representative Vento reinstated and broadened the drug elimination grant program. The new program, the Community Partnerships against Crime (COMPAC), would be available to cover the costs of addressing all crime deterrence, not just those related to drugs. The provision is substantially similar to the COMPAC program adopted by the House during the last session of Congress. It provides formula allocation of crime reduction funds to large and medium sized LHMAs while continuing a competitive program for smaller LHMAs and other federally assisted housing.

We believe the COMPAC can and should be continued to provide a guaranteed resource for local authorities to enlist and retain al-

lied law enforcement, provide drug prevention and treatment, engage in anti-gang activities, provide youth recreational opportunities, and to hire security personnel.

Severely distressed public housing

Representatives Kennedy and Flake offered an amendment, which was accepted with some modifications, to restore the severely distressed public housing program. While the original amendment authorized $500 million for each of the next 5 years to be distributed on a competitive basis, the version that was adopted extended the program for one year only and authorized such sums as are appropriated. Like the COMPAC program, we believe that this separate program should be authorized and funded on a long term basis. The purpose of this program is to take the worst public housing in America and revitalize it by reducing the density, integrating the projects with the surrounding neighborhoods, providing important services that help tenants achieve self-sufficiency, and providing for economic development.

The amendment streamlines and reforms the existing program in a number of important ways. It emphasizes the use of funds to leverage other funds and resources. It eliminates the current ceiling on the amount of the grant that can be used for economic development. Most importantly, it allows the Secretary to recapture any grant funds from LHMAs that don't move these projects forward in a timely fashion. We believe that this important innovation will prevent hundreds of millions of dollars from getting stuck in some pipeline. Finally, this amendment allows the Secretary to use a private sector entity to implement the revitalization plan, an innovation that will give the Secretary increased flexibility in getting these projects completed.

SECURITY IN PUBLIC HOUSING

We are also concerned that H.R. 2406 does not adequately ensure the safety of public housing residents. Representatives Velázquez and Waters offered amendments to the housing authority's planning requirements to ensure that the authority would adopt safety and crime prevention measures, especially those involving the residents, the community, and the local law enforcement. We believe that community policing is an effort that has proven successful in a variety of authorities and should be encouraged; however, in many urban areas we understand community policing is not always enough. The local law enforcement must not neglect the duty to protect the safety and rights of public housing residents, and in this vein we encourage them to join hands with the residents and LHMAs in reducing crime in public housing.

HOUSING FOUNDATION AND ACCREDITATION BOARD

The Committee bill includes a detailed provision to establish a housing foundation and accreditation board. Intended to provide an outside independent review of LHMAs' operations, this new entity will accredit LHMAs or put them out of business for poor management. This foundation and board will also have the capacity to provide technical assistance to poor performing housing authorities. While we acknowledge the critical need for more accountability of

LHMAs and their performance, we have concerns about establishing this board with such vast powers.

We believe that this new entity is duplicative of HUD and its responsibilities. There seems to be no sense of where HUD's responsibilities end and the board's begin to review and monitor LHMAs' performance. We find it somewhat ironic that this board must be created, in part according to the majority, because HUD is losing its staff and its capacity to monitor housing authorities adequately.

Congress enacted the Public Housing Management Assessment Program (PHMAP) in 1992 precisely to monitor public housing agency performance. While its measurement scales are quantitative and objective, HUD staff can and does review PHMAP scores to provide assistance to housing authorities which receive low and failing scores. We believe it generally is a system that works; yet the new board will use PHMAP only in transition.

The majority touts the new board for its critical role in placing "death penalties" on poor performing housing authorities. Yet, if such a penalty is imposed, HUD must impose it. The entity responsible for making decisions about the status of LHMAs will be disassociated from those who are responsible or implementing those decisions.

Finally, although the board will be responsible for granting accreditation to LHMAs, as the board's chief responsibility seems to be punitive—recommending LHMAs for sanctions that HUD will administer. We particularly are concerned about one sanction—holding back Community Development Block Grant (CDBG) funds if the city has substantial responsibility for the poor performance of the LHMA. We are concerned that the very cities sanctioned by loss of CDBG are the cities with the greatest housing and CDBG needs. The only ones who will lose are the low income families. Therefore we would urge HUD to impose this sanction sparingly.

Notwithstanding the favorable outcome of creating a board for professional standards that will likely yield status to public housing, the new accreditation board bureaucracy will simply add another layer of politics and confusion. The intent of board and the model, the hospital accreditation board, are sound; but once again, the Committee bill goes too far.

PUBLIC HOUSING SUBSTITUTE

Because of our concerns about the dramatic restructuring of public housing as provided in the Committee bill, Representative Kennedy, Ranking Democrat of the Housing Subcommittee, offered for discussion a substitute for the public housing title of H.R. 2406,. The amendment was intended to apply proven techniques of real estate management used in the private sector to public housing by replacing the present system of centralized public housing management with project-by-project asset evaluation and management over a transition period of 3 years. Small public housing authorities, defined as those with under 250 units, would have been exempt from this provision.

Under the substitute, public housing authorities would be required to develop asset evaluation and asset management plans for each project. This process would be overseen and reviewed by designees of the Secretary, such as state housing finance agencies, for-

profit or non-profit real estate companies, or any other group with a proven record of successful management of real estate.

In the Asset Evaluation Plan, the PHA assesses the physical condition of its projects and the improvements necessary to make them viable for the long term; it requires that the demographic characteristics of the projects be assessed along with the marketability of the project. It would also require the PHA to determine which projects should be demolished because they are not viable or do not meet a serious need for housing in the community.

The Asset Management Plans would require the PHA to decide how it intends to use each project—what population it should serve, such as elderly, family, disabled, and, on that basis, determine the projects operating budget, the estimated rental receipts, tenant and income mix, vacancy allowances, costs for ongoing maintenance, including a reserve for replacement, security needs, services needed, and so on. A PHA would be encouraged to seek other sources of funds to meet some of the demands for services. For example, a family project with a lot of children might mean a project manager wants to offer tutoring services, or day care. That manager would be encouraged to seek outside funding to meet this demand.

These plans would have to be consistent with the Comprehensive Housing Affordability Plan of the area, as required by the Cranston-Gonzalez National Affordable Housing Act. This will help ensure that PHAs use public housing as part of the community's overall strategy for addressing a community's housing needs.

Annual Updates and Review

The Secretary's designee conducts an annual review of the PHA and the projects to measure performance against the management plans and for the overall management of the agency. The review must include a final audit of individual projects, new construction, and the overall financial operations of the agency. It includes a review and analysis of tenant-management issues to ensure ongoing cooperation, and it includes any other information the Secretary deems necessary to get a through understanding of the operations of the authority and its projects. PHAs must also make annual updates to their management plans to reflect the most current information.

Public housing projects would then be funded on a project-basis. PHAs would be compensated for the management of their properties through per-project asset management fees, similar to the way private real estate managers are compensated. If, according to the Secretary's designee, the PHA fails to perform according to the management plan, HUD would take away thy management from the PHA and contract out with another entity to manage the property. The new management would then get the management fee.

This substitute would also retain a cap on the rent to income ratio, like the Brook Amendment; it would establish ceiling rents so that families going to work are not punished; and it would retain the severely distressed housing program and COMPAC. Finally, it would target 40 percent of a PHAs units to people with incomes up to 30 percent of area median income, and limit to 15

percent the units that could go to households with incomes between 60 percent and 80 percent of area median.

Rather than eviscerate the pubic housing program and repeal the 1937 Housing Act, the substitute would reform the operators and requirements of the program. We believe that the policy put forth in the substitute will retain the mission of public housing, continue to serve the most vulnerable families in decent, safe, and sanitary housing while making the reforms necessary to put the public housing program on a sound footing.

CHOICE BASED RENTAL HOUSING

Generally, we support many of the changes in the rental assistance program. The provisions essentially merge the section 8 certificate and voucher programs into one new program, much as the House adopted in the 103rd Congress. The new program includes requirements which bring the rental assistance program more closely in line with the conventional real estate market—reformed lease equipments, repeal of "take one, take all", repeal of the "endless lease", and others. We believe that the program streamlining and merger will make it more attractive to a broader range of landlords and rental properties. However, the new program also includes a number of provisions with which we strongly disagree.

The new rental assistance program provides for a minimum rental share, rather than a capped family contribution; and retains the concept of fair market rent, how called a rental indicator, and a payment standard as under the current section 8 voucher program. It also relaxes targeting and repeals federal preferences. As discussed above, we believe that retaining a cap of the resident's share of rent is critical as is deeper targeting of assistance to very low income families.

Portability

The Committee bill also repeals and does not replace the portability of rental assistance. We believe that the hallmark of the rental assistance program should be that it provide low income families choice about where they live within certain cost parameters, not within geographic boundaries. Portability of assistance is the means to provide the clearest choice to those families. The Committee bill makes portability of assistance to a matter to be determined not by the eligible family with a rental certificate, but by the LHMA.

At the same time, the HUD–VA appropriations conference report sets fair market rents or rental indicators at the 40th percentile of area median rents. This also severely limits a family's choice of housing and the combination of the provisions in H.R. 2406 and the appropriations bill are devastating.

We are sensitive to the growing loss of rental assistance from one jurisdiction to another from portability and to the administrative burden that portability entails. However, the provisions on portability in the Committee bill which specify waiting list placement and give the LHMA the total discretion to refuse a moving family' certificate do not answer the criticisms of portability.

Rather we believe that the portability provisions included in the Committee bill are intended to hamper portability not reform port-

ability. We are all painfully aware of the politics that have surrounded portability and programs like Moving to Opportunity. We welcomed Chairman Lazio's invitation to work on real reforms to this important aspect of the rental assistance program; for portability of assistance is the best change to provide wider choice of housing and economic integration to very low income families.

Administrative fees

The Committee bill establishes a new method of setting administrative fees for housing authorities and sets an arbitrary percentage for compensation. While we agree with the new method of calculating the fee, we cannot agree with the somewhat capricious reduction of the percentage to 6.5 percent of the two bedroom rent for the first 600 units and 6.0 percent for units over 600. (The HUD–VA appropriations bill sets the fees at 7.65 percent and 7 percent.) We understand that New York City will lose more than $20 million in funding which would be used to administer their rental assistance program.

Further, we know that smaller LHMAs' administrative operations for the rental assistance program will be devastated. Simply enforcing the new housing quality standards, which we agree are necessary, included in the committee bill will add to LHMAs' administrative burden. There may be some LHMAs that have misused the administrative fees and are becoming "wealthy and indolent" on federal funds; however we can not agree with using their bad example to reduce in some cases drastically, fees available to the majority of the housing authorities. We would urge the majority to reevaluate its position and get the facts about administrative fees before setting the fees in law.

LEGISLATIVE PROCESS

The Committee bill represents a major restructuring of the two housing programs that serve our nation's low income families. It repeals the United States Housing Act of 1937, which has stood with amendment through the years, as the basic law governing the public housing program and the rental assistance program since its enactment. However, this Committee, in less than two months and with only three hearings before the Subcommittee in Washington, marked up and reported H.R. 2406. The Subcommittee on Housing and Community Opportunity was by-passed in favor of mark-up at the full Committee on Banking. We believe an opportunity to air all the issues and make important technical and policy refinements was lost.

Further, while the witnesses represented important interests with respect to public housing and the rental assistance program, including the major associations and the Administration, the witnesses were one sided. The interests of the advocacy groups, tenant groups, and tenants were not heard. We are concerned that all sides and nuances of the important bill were not fully explored.

We believe that such fundamental change demanded a more thorough legislative process. The bill makes wholesale changes in public policy, to current law, and to HUD programs. Such changes are certain to have broad impacts on current and future residents of public and assisted housing, on local authorities, on private land-

lords, on housing markets, and on HUD. By trampling on the legislative process, we believe we are reporting a bill with unintended, unknown, and adverse consequences.

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